

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

IN RE: Case No. 20-51066-MAR
HENRY FORD VILLAGE, INC., Chapter 11
Debtor. Honorable Mark A. Randon
_____ /

**NOTICE OF FILING OF DISCLOSURE SCHEDULES TO
STALKING HORSE AGREEMENT**

PLEASE TAKE NOTICE OF THE FOLLOWING MATTER:

Henry Ford Village, Inc. (the “Debtor”), debtor and debtor-in-possession in the above-captioned chapter 11 case (the “Chapter 11 Case”), hereby files this *Notice of Filing of Disclosure Schedules to Stalking Horse Agreement*.

The Court entered the *Order (A) Approving Bidding Procedures and Protections in Connection with the Sale of Substantially All of the Debtor’s Assets, (B) Approving the Form and Manner of Notice Thereof, (C) Scheduling an Auction and a Sale Hearing, (D) Approving Procedures for the Assumption and Assignment of Contracts, and (E) Granting Related Relief* [ECF No. 179] (the “Bid Procedures Order”) on December 21, 2020. In accordance with the Bid Procedures Order, the Debtor filed the Stalking Horse Agreement on March 30, 2021. See Exhibit A to ECF No. 355. The Debtor files a copy of disclosure schedules to the Stalking Horse Agreement hereto as **Exhibit A**.

Dated: April 20, 2021

DYKEMA GOSSETT PLLC

By: /s/ Sheryl L. Toby

Sheryl L. Toby (P39114)
39577 Woodward Avenue, Suite 300
Bloomfield Hills, Michigan 48304
(248) 203-0700 / Fax (248) 203-0763
SToby@dykema.com

and

Danielle N. Rushing
Texas Bar No. 24086961
112 East Pecan Street, Suite 1800
San Antonio, Texas 78205
(210) 554-5500 / Fax (210) 226-8395
DRushing@dykema.com

***COUNSEL FOR DEBTOR AND
DEBTOR-IN-POSSESSION***

Exhibit A

DISCLOSURE SCHEDULES
to
ASSET PURCHASE AGREEMENT

BY AND BETWEEN

HFV SENIOR LIVING, LLC

AND

HENRY FORD VILLAGE, INC.
Dated as of March 26, 2021

These Disclosure Schedules (collectively, the “Disclosure Schedules”, and each individually, a “Schedule”) are delivered pursuant to that certain Asset Purchase Agreement, dated as of March 26, 2021 (the “Agreement”), by and among Henry Ford Village, Inc., a Michigan nonprofit corporation (“Seller”), and HFV Senior Living, LLC (“Buyer”). These Schedules are arranged in sections corresponding to the numbered and lettered sections and subsections contained in the Agreement. Terms used but not otherwise defined in these Schedules will have the meaning ascribed to such terms in the Agreement.

Schedule 1(tt)

List of Equipment, Furniture, Machinery, Etc.

See attached.

GL Account	Asset Detail	Physical Location	Start Date	Cost	Depreciation Reserve	Net Book Value
1753001 Fixed Asset - Kitchen Equipment	305112-A3024	CB 1 Kitchen On Demand Hot Water Heater for Dishwasher	12/06/2013	\$ 7,869	\$ 7,869	\$ -
1753001 Fixed Asset - Kitchen Equipment	1421525-A1003	Great Lakes Dining	02/03/2020	6,208	569	5,639
1753001 Fixed Asset - Kitchen Equipment	277426-Great Lakes	Great Lakes	06/06/2012	13,800	11,845	1,955
1753001 Fixed Asset - Kitchen Equipment	525319-Pizza Prep Table	Windows Cafe	04/13/2015	2,536	1,458	1,078
1753001 Fixed Asset - Kitchen Equipment	835825-Exhaust Fan Replacement	Windows Cafe	03/31/2016	5,942	5,744	198
1753001 Fixed Asset - Kitchen Equipment	1055183-A8007		04/11/2018	12,788	7,033	5,755
1753001 Fixed Asset - Kitchen Equipment	1125148-A8012		12/07/2018	1,600	667	933
1753001 Fixed Asset - Kitchen Equipment	525327-Recycle Trucks and Lids	Great Lakes Kitchen	05/11/2015	2,508	2,508	-
1753001 Fixed Asset - Kitchen Equipment	614545-Dish Machine Motor Replacement	Great Lakes Dining Room	04/14/2015	1,497	636	861
1753001 Fixed Asset - Kitchen Equipment	1229306-A9006		03/01/2019	16,940	3,106	13,834
1753001 Fixed Asset - Kitchen Equipment	126667-Cafe Sandwich Prep Table		08/31/2011	2,548	2,399	149
1753001 Fixed Asset - Kitchen Equipment	1421524-A1003-Additional from P-card	Great Lakes Dining	02/01/2020	640	59	581
1753001 Fixed Asset - Kitchen Equipment	470094-Dining Services Equipment	St Clair Kitchen	10/27/2014	17,024	10,640	6,384
1753001 Fixed Asset - Kitchen Equipment	1125149-A8012		11/30/2018	27,811	12,051	15,760
1753001 Fixed Asset - Kitchen Equipment	1055184-A8006		06/31/2018	34,747	18,532	16,215
1753001 Fixed Asset - Kitchen Equipment	1269674-A9015	HRC Kitchen	11/04/2019	6,893	1,608	5,285
1753001 Fixed Asset - Kitchen Equipment	280682-HRC Dining	HRC Dining	01/09/2013	9,750	9,750	-
1753001 Fixed Asset - Kitchen Equipment	648566-Quality of Life - Dining	Windows Cafe	08/26/2015	112,414	112,414	-
1753001 Fixed Asset - Kitchen Equipment Total				\$ 283,516	\$ 209,113	\$ 74,402
1755001 Fixed Asset - Maintenance Equipment	1052092-A8000 Apr		04/20/2018	16,293	8,961	7,332
1755001 Fixed Asset - Maintenance Equipment	1069955-A8000 -Aug		08/31/2018	19,365	9,360	10,005
1755001 Fixed Asset - Maintenance Equipment	1079017-A8000 September		09/30/2018	3,138	1,465	1,674
1755001 Fixed Asset - Maintenance Equipment	1231685-A9000 Aug		08/31/2019	20,754	5,880	14,874
1755001 Fixed Asset - Maintenance Equipment	1421491-A9000 Jan		01/23/2020	8,657	1,731	6,926
1755001 Fixed Asset - Maintenance Equipment	1086143-A8000 October		10/31/2018	11,936	5,371	6,565
1755001 Fixed Asset - Maintenance Equipment	1231678-A9000 Jan		01/31/2019	11,376	4,550	6,826
1755001 Fixed Asset - Maintenance Equipment	557281-Vigil System 3rd Floor HRC	3rd Floor HRC	06/24/2015	5,601	5,601	-
1755001 Fixed Asset - Maintenance Equipment	648570-Apartment Appliances	Various Apartments	12/31/2015	187,340	187,340	-
1755001 Fixed Asset - Maintenance Equipment	1052078-A8002		12/19/2017	24,150	14,893	9,258
1755001 Fixed Asset - Maintenance Equipment	1086144-A8015		10/01/2018	5,163	2,323	2,840
1755001 Fixed Asset - Maintenance Equipment	1229307-A9007		03/28/2019	3,604	1,321	2,282
1755001 Fixed Asset - Maintenance Equipment	1231682-A9000 May		06/31/2019	20,744	6,915	13,829
1755001 Fixed Asset - Maintenance Equipment	1250094-A9000 -Oct		10/30/2019	27,194	6,799	20,396
1755001 Fixed Asset - Maintenance Equipment	1269643-A9000 Dec		12/26/2019	30,803	6,674	24,129
1755001 Fixed Asset - Maintenance Equipment	119837-Whirlpool Appliances	Multiple Apartments	03/09/2011	90,077	90,077	-
1755001 Fixed Asset - Maintenance Equipment	1052096-A8000 May		06/24/2018	15,938	8,500	7,438
1755001 Fixed Asset - Maintenance Equipment	1113999-A8000 November		11/21/2018	33,207	14,390	18,817
1755001 Fixed Asset - Maintenance Equipment	1421511-A9000 Feb		02/28/2020	(1,936)	(355)	(1,581)
1755001 Fixed Asset - Maintenance Equipment	1052079-A8000 Jan		01/11/2018	11,222	6,733	4,489
1755001 Fixed Asset - Maintenance Equipment	227248-ADA Lift	Aquatic Center	01/31/2012	6,000	6,000	-
1755001 Fixed Asset - Maintenance Equipment	1231680-A9000 Mar		03/31/2019	13,899	5,096	8,803
1755001 Fixed Asset - Maintenance Equipment	1231684-A9000 July		07/31/2019	2,121	636	1,485
1755001 Fixed Asset - Maintenance Equipment	1055170-A8000 June		06/29/2018	33,838	17,483	16,355
1755001 Fixed Asset - Maintenance Equipment	1060050-A8000 July		07/27/2018	21,022	10,511	10,511
1755001 Fixed Asset - Maintenance Equipment	1052090-A8000 Feb/Mar		03/26/2018	32,322	18,316	14,006
1755001 Fixed Asset - Maintenance Equipment	1125019-A8000 December		12/27/2018	24,841	10,350	14,491
1755001 Fixed Asset - Maintenance Equipment	1231681-A9000 Apr		04/30/2019	31,514	11,030	20,484
1755001 Fixed Asset - Maintenance Equipment	190257-VSD CB2	CB2	12/31/2011	14,249	14,249	-
1755001 Fixed Asset - Maintenance Equipment	525288-Emergency Generator Control System	Main Building	09/09/2014	3,654	3,654	-
1755001 Fixed Asset - Maintenance Equipment	1231683-A9000 June		06/30/2019	33,572	10,631	22,941
1755001 Fixed Asset - Maintenance Equipment	1231679-A9000 Feb		02/28/2019	11,391	4,367	7,024
1755001 Fixed Asset - Maintenance Equipment	1234339-A9000 Sept		09/30/2019	23,310	6,216	17,094
1755001 Fixed Asset - Maintenance Equipment	1258512-A9000 Nov		11/22/2019	7,138	1,666	5,472
1755001 Fixed Asset - Maintenance Equipment	835823-Goodway Tube Cleaner for Boiler	Boiler	02/18/2016	2,725	2,680	45
1755001 Fixed Asset - Maintenance Equipment Total				\$ 806,224	\$ 511,415	\$ 294,809
1756001 Fixed Asset - Health Care Equipment	112887-2 Gurney Shower White-1004309		04/01/2003	1,470	1,470	-
1756001 Fixed Asset - Health Care Equipment	112692-80" Full Electric		11/01/2007	1,575	1,575	-
1756001 Fixed Asset - Health Care Equipment	112701-DENTAL EQUIPMENT		03/01/1994	37,976	37,976	-
1756001 Fixed Asset - Health Care Equipment	112720-Posture Plus Recliner		02/01/2005	1,944	1,944	-
1756001 Fixed Asset - Health Care Equipment	112728-VARIOUS - MEDICAL EQUIP		01/01/1994	9,428	9,428	-
1756001 Fixed Asset - Health Care Equipment	112685-(6) PVC Shower Chairs; WC fix		04/01/2001	1,321	1,321	-
1756001 Fixed Asset - Health Care Equipment	112706-Heal scanner-standard from ERC		01/01/2008	5,500	5,500	-
1756001 Fixed Asset - Health Care Equipment	112707-LIFELINE SYSTEMS		03/01/1997	3,056	3,056	-
1756001 Fixed Asset - Health Care Equipment	112710-MEDICAL CLINIC SUPPLIES		10/01/1993	682	682	-
1756001 Fixed Asset - Health Care Equipment	112713-Nu-Sleep TRS4000 Crosstrainer		12/01/2003	6,180	6,180	-
1756001 Fixed Asset - Health Care Equipment	112726-Spirometer		10/01/2005	2,598	2,598	-

1756001 Fixed Asset - Health Care Equipment	835822-Under Counter Ice Machine	HRC 3rd Floor	01/28/2016	3,417	1,709	1,709
1756001 Fixed Asset - Health Care Equipment	112694-air loss mattress		11/01/2007	5,395	5,395	-
1756001 Fixed Asset - Health Care Equipment	112695-Air Loss Mattresses for RG		07/01/2010	46,794	46,794	-
1756001 Fixed Asset - Health Care Equipment	112698-Bladderscan Biv-3000 ultra-		10/01/2003	11,490	11,490	-
1756001 Fixed Asset - Health Care Equipment	112703-DENTAL EQUIPMENT		08/01/1995	618	618	-
1756001 Fixed Asset - Health Care Equipment	112716-Oxygen Concentrators		11/01/2004	2,766	2,766	-
1756001 Fixed Asset - Health Care Equipment	112725-Workstation Vertical Press Gym		07/01/2009	5,413	5,413	-
1756001 Fixed Asset - Health Care Equipment	964999-A7010		08/16/2017	7,287	2,490	4,797
1756001 Fixed Asset - Health Care Equipment	301329-A3023		08/16/2013	12,455	9,238	3,218
1756001 Fixed Asset - Health Care Equipment	112696-11-Oximeler and Concentrators	HRC	10/01/2003	6,759	6,759	-
1756001 Fixed Asset - Health Care Equipment	112697-Bariatric Bed		08/01/2006	3,697	3,697	-
1756001 Fixed Asset - Health Care Equipment	112699-Burdick LE II EKG Machine		06/01/2000	3,210	3,210	-
1756001 Fixed Asset - Health Care Equipment	112708-Low Beds		10/01/2004	42,684	42,684	-
1756001 Fixed Asset - Health Care Equipment	112714-OPTICAL EQUIPMENT		07/01/1994	5,925	5,925	-
1756001 Fixed Asset - Health Care Equipment	112719-Podiatry chairs (8)		05/01/2007	14,634	14,634	-
1756001 Fixed Asset - Health Care Equipment	112704-Fingerprint hand held pulse		12/01/2001	858	858	-
1756001 Fixed Asset - Health Care Equipment	112730-X-RAY PUSH BUTTON		03/01/1994	32	32	-
1756001 Fixed Asset - Health Care Equipment	112705-Geri Chairs		02/01/2006	2,064	2,064	-
1756001 Fixed Asset - Health Care Equipment	112690-3 Port Mattress		02/01/2005	1,150	1,150	-
1756001 Fixed Asset - Health Care Equipment	112700-CPR Equipment		11/01/2000	747	747	-
1756001 Fixed Asset - Health Care Equipment	112702-DENTAL EQUIPMENT		11/01/1994	2,976	2,976	-
1756001 Fixed Asset - Health Care Equipment	112718-Physician Chair Scale		12/01/2007	1,210	1,210	-
1756001 Fixed Asset - Health Care Equipment	112722-Rehab-Medical Equipment		08/01/2002	33,191	33,191	-
1756001 Fixed Asset - Health Care Equipment	1055181-A7013		10/02/2017	256,152	83,249	172,902
1756001 Fixed Asset - Health Care Equipment	1228314-A9002		12/26/2018	33,196	6,916	26,280
1756001 Fixed Asset - Health Care Equipment	112691-5 UltracareL Bed Almond w matt		11/01/2003	7,517	7,517	-
1756001 Fixed Asset - Health Care Equipment	112711-MEDICAL EQUIPMENT		01/01/1994	215	215	-
1756001 Fixed Asset - Health Care Equipment	112712-MISC MED CLINIC ITEMS		09/01/1993	411	411	-
1756001 Fixed Asset - Health Care Equipment	112725-SCHIRMER TEAR TEST		07/01/1994	16	16	-
1756001 Fixed Asset - Health Care Equipment	112727-Standing Frame		12/01/2008	1,250	1,250	-
1756001 Fixed Asset - Health Care Equipment	1421526-A1007	HRC	10/29/2019	19,586	2,448	17,138
1756001 Fixed Asset - Health Care Equipment	112693-8air-loss mattress+2 low-loss		05/01/2006	13,800	13,800	-
1756001 Fixed Asset - Health Care Equipment	112694-(3)Parker Bath/Scale ARJO Tubs		12/01/2003	42,263	42,263	-
1756001 Fixed Asset - Health Care Equipment	112688-2 Ultra Care lowbed w/Mattress		09/01/2003	3,114	3,114	-
1756001 Fixed Asset - Health Care Equipment	112689-25 Wheelchairs		12/01/2003	14,041	14,041	-
1756001 Fixed Asset - Health Care Equipment	112696-Arjo Sara 3000 Lift w/ scale		12/01/2007	4,919	4,919	-
1756001 Fixed Asset - Health Care Equipment	112709-low beds with rails& extension		03/01/2006	7,013	7,013	-
1756001 Fixed Asset - Health Care Equipment	112715-OPTICAL EQUIPMENT		08/01/1994	467	467	-
1756001 Fixed Asset - Health Care Equipment	112717-PERI PRO II PROCESSOR		05/01/1994	2,227	2,227	-
1756001 Fixed Asset - Health Care Equipment	112721-Power Heart-AED		11/01/2003	1,930	1,930	-
1756001 Fixed Asset - Health Care Equipment	112724-Scale w/heelchair ramp		09/01/2002	1,120	1,120	-
1756001 Fixed Asset - Health Care Equipment	112683-(19) Lifeline Pendants		04/01/1999	2,309	2,309	-
1756001 Fixed Asset - Health Care Equipment Total				\$ 688,045	\$ 472,001	\$ 226,044
1757001 Fixed Asset - Communications Equipment	277401-Security Office	Security Office	04/30/2012	2,573	2,251	322
1757001 Fixed Asset - Communications Equipment	288713-A3014	Security	05/24/2013	36,747	36,747	-
1757001 Fixed Asset - Communications Equipment	140414-desk top repeater	Security	10/17/2011	3,980	3,681	299
1757001 Fixed Asset - Communications Equipment	1421551-A1010 Radios		06/09/2020	4,133	344	3,789
1757001 Fixed Asset - Communications Equipment	443813-Scala Multimedia Message Display	Scala Multimedia Message Display	05/07/2014	12,818	8,545	4,273
1757001 Fixed Asset - Communications Equipment	277389-Hampton Square	Hampton Square	02/23/2012	25,688	22,905	2,783
1757001 Fixed Asset - Communications Equipment Total				\$ 85,939	\$ 74,474	\$ 11,464
1757501 Fixed Asset - IT Equipment & Systems	119821-LCS System Transition Cost		01/01/2011	280,230	280,230	-
1757501 Fixed Asset - IT Equipment & Systems	443814-Email Server	Email Server	09/02/2014	90,855	90,855	-
1757501 Fixed Asset - IT Equipment & Systems	277430-Customer 11543871	HRC Admissions	08/22/2012	1,671	1,671	-
1757501 Fixed Asset - IT Equipment & Systems	277481-Laptop Computers	Offices/IT	03/30/2012	4,627	4,627	-
1757501 Fixed Asset - IT Equipment & Systems	288714-A3018	Mackinaw Room	06/01/2013	10,600	10,600	-
1757501 Fixed Asset - IT Equipment & Systems	1060052-BESTBUYNCOM397 Capital-A7014		07/31/2018	3,200	2,667	533
1757501 Fixed Asset - IT Equipment & Systems	1060051-BESTBUYNCOM397 -A7014 Capital		07/31/2018	4,607	3,840	768
1757501 Fixed Asset - IT Equipment & Systems	1130611-10 4 Dell e6400 Laptops (repl		04/01/2010	6,718	6,718	-
1757501 Fixed Asset - IT Equipment & Systems	1421528-A1001		01/09/2020	12,875	4,292	8,583
1757501 Fixed Asset - IT Equipment & Systems	1060054-A7014		01/26/2018	3,194	3,194	-
1757501 Fixed Asset - IT Equipment & Systems	1229305-A8017		11/23/2018	120,415	26,090	94,325
1757501 Fixed Asset - IT Equipment & Systems	525323-Trend Micro Enterprise Security System	IT Dept	05/04/2015	8,365	8,365	-
1757501 Fixed Asset - IT Equipment & Systems	614550-Switches and Routers	Server Room	10/26/2015	5,424	5,424	-
1757501 Fixed Asset - IT Equipment & Systems	189249-Keane Software	Finance	07/31/2011	2,000	2,000	-
1757501 Fixed Asset - IT Equipment & Systems	1435390-A8017-Additional		03/12/2019	23	4	19
1757501 Fixed Asset - IT Equipment & Systems	525324-Replace Boards on Phone System	IT Dept	03/12/2015	4,677	4,677	-
1757501 Fixed Asset - IT Equipment & Systems	289874-A3021	Chapel	07/01/2013	2,999	2,999	-

1757501 Fixed Asset - IT Equipment & Systems	113062-84 72Dell GX960 Workstations	11/01/2010	25,943	25,943	-
1757501 Fixed Asset - IT Equipment & Systems	113064-Laptop Computers (2) Dell	10/01/2010	3,160	3,160	-
1757501 Fixed Asset - IT Equipment & Systems	119841-WorkHub Mnt Software	05/10/2011	18,552	18,552	-
1757501 Fixed Asset - IT Equipment & Systems	126657-Software	08/05/2011	13,520	13,520	-
1757501 Fixed Asset - IT Equipment & Systems	277387-Offices	04/23/2012	8,382	8,382	-
1757501 Fixed Asset - IT Equipment & Systems	277377-Customer# 4424132	03/26/2012	613	613	-
1757501 Fixed Asset - IT Equipment & Systems	189250-Software	07/05/2011	17,532	17,532	-
1757501 Fixed Asset - IT Equipment & Systems	1060053-A7014	11/15/2017	21,061	21,061	-
1757501 Fixed Asset - IT Equipment & Systems	288715-Printers	06/07/2013	18,367	18,367	-
1757501 Fixed Asset - IT Equipment & Systems	1060055-A7014	04/11/2018	3,194	2,928	266
1757501 Fixed Asset - IT Equipment & Systems	289872-A3020	06/25/2013	2,488	2,488	-
1757501 Fixed Asset - IT Equipment & Systems	277468-HRC	11/27/2012	56,776	46,367	10,409
1757501 Fixed Asset - IT Equipment & Systems	281559-Printers	02/01/2013	14,793	14,793	-
1757501 Fixed Asset - IT Equipment & Systems	113063-IT Capital Projects 2010	12/01/2010	105,357	105,357	-
1757501 Fixed Asset - IT Equipment & Systems Total			\$ 872,216	\$ 757,312	\$ 114,904
1758001 Fixed Asset - Other Office Equipment	1052089-A8005	03/02/2018	4,275	2,423	1,853
1758001 Fixed Asset - Other Office Equipment	277385-Chapel	04/26/2012	7,855	7,855	-
1758001 Fixed Asset - Other Office Equipment	1421509-A1005	01/30/2020	9,181	1,836	7,345
1758001 Fixed Asset - Other Office Equipment	525320-Avid Media Composer	04/10/2015	12,772	12,772	-
1758001 Fixed Asset - Other Office Equipment	614549-Video Equipment for Community TV	09/30/2015	17,380	17,380	-
1758001 Fixed Asset - Other Office Equipment Total			\$ 51,463	\$ 42,266	\$ 9,197
1759001 Fixed Asset - Clinic Equipment	126653-Power Exam Table	06/10/2011	6,895	6,808	287
1759001 Fixed Asset - Clinic Equipment Total			\$ 6,895	\$ 6,808	\$ 287
Grand Total			\$ 2,804,298	\$ 2,073,190	\$ 731,108

Schedule 2.8
Allocation Schedule

Buyer to provide for Seller's review on or before June 30, 2021.

Schedule 3.3
Permits

See attached.

Schedule 3.3 - Permits

Issuer	Contract or Agreement Name or No.
Aetna Inc.	Insurance provider agreement
HAP Midwest Health Plan, Inc.	Insurance provider agreement
ChoiceCare Network	Insurance provider agreement
U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services	Medicare Provider Agreement (Provider No. 235593)
Michigan Department of Health & Human Services	Medicaid Provider Agreement (Provider No. 4438240)
Michigan Department of Licensing and Regulatory Affairs	Nursing Home License
Michigan Department of Licensing and Regulatory Affairs	License for Home for the Aged
Michigan Department of Licensing and Regulatory Affairs	Continuing Care Community Registration
Michigan Department of Licensing and Regulatory Affairs	CLIA Certificate of Waiver
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - HRC
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - AL/HRC Kitchen
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Assisted Living
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #1 A Wing
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #1 C Wing
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #2 Right Cab
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #2 Left Cab
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #3 Right Cab
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #3 Left Cab
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #4
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #5 Right Cab
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #5 Left Cab
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #6 Right Cab
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #6 Left Cab
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Residential Building #7
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Community Building #1 Loading Dock
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Community Building #1 Kitchen
Michigan Department of Licensing and Regulatory Affairs	Elevator Certification of Operation - Community Building #2 Loading Dock/Kitchen Service
Michigan Department of Health and Human Services	Certificate of Need
Michigan Department of Agriculture and Rural Development	Food Service Establishment License
Michigan Department of Environment, Great Lakes, Energy Medical Waste Program	Registration as a Producing Facility of Medical Waste
Michigan Department of Licensing and Regulatory Affairs	CLIA Certificate of Waiver
City of Dearborn	Manager Building License - Health and Rehab Building
City of Dearborn	Manager Building License - Building #1
City of Dearborn	Manager Building License - Building #2
City of Dearborn	Manager Building License - Building #3
City of Dearborn	Manager Building License - Building #4
City of Dearborn	Manager Building License - Building #5
City of Dearborn	Manager Building License - Building #6
City of Dearborn	Manager Building License - Building #7
City of Dearborn	Building Certificate of License - Health and Rehab Center (98 Units)
City of Dearborn	Building Certificate of License - Food Establishment (Village Market)
City of Dearborn	Building Certificate of License - Food Establishment (Community Building #1)
City of Dearborn	Building Certificate of License - Food Establishment (St. Clair)
City of Dearborn	Building Certificate of License - Residential Building #1 (141 Units)
City of Dearborn	Building Certificate of License - Residential Building #2 (125 Units)
City of Dearborn	Building Certificate of License - Residential Building #3 (114 Units)
City of Dearborn	Building Certificate of License - Residential Building #4 (95 Units)
City of Dearborn	Building Certificate of License - Residential Building #5 (113 Units)
City of Dearborn	Building Certificate of License - Residential Building #6 (185 Units)
City of Dearborn	Building Certificate of License - Residential Building #7 (95 Units)
Michigan Department of Environment, Great Lakes, and Energy Drinking Water and Environmental Health Division	Public Swimming Pool License - Spa
Michigan Department of Environment, Great Lakes, and Energy Drinking Water and Environmental Health Division	Public Swimming Pool License - Swim

Schedule 3.4
Litigation

Pending Litigation:

Case No. 21-003642-NH, <i>Miller v. Henry Ford Village, et al.</i> , Wayne County Circuit Court 3/17/2021
Case No. 20-016647-NH, <i>Hood v. Ogden, et al.</i> , Wayne County Circuit Court 12/22/2020
Case No. 20-016649-NH, <i>Hood v. Ogden, et al.</i> , Wayne County Circuit Court 12/22/2020
Case No. 20-013873-CK, <i>Mallett v. Henry Ford Village, Inc.</i> , Wayne County Circuit Court 10/21/2020
Case No. 20-013791-CK, <i>Davis v. Henry Ford Village, Inc.</i> , Wayne County Circuit Court 10/20/2020
Case No. 20-183729-CK, <i>Lee v. Henry Ford Village, Inc.</i> , Wayne County Circuit Court 9/28/2020
Case No. 20-011413-CK, <i>Currie v. Henry Ford Village, Inc.</i> , Wayne County Circuit Court 9/2/2020
Case No. 20-011079-CK, <i>Harbin v. Henry Ford Village, Inc.</i> , Wayne County Circuit Court 8/27/2020
Case No. 351995, <i>Fisanik v. Henry Ford Village, Inc.</i> , Michigan Court of Appeals 12/23/2019
Case No. 19-010892-NO, <i>Roddy v. Henry Ford Village, Inc.</i> , Wayne County Circuit Court 8/9/2019
Case No. 19-003674-NH, <i>Abboud v. Henry Ford Village, Inc., et al.</i> , Wayne County Circuit Court 3/14/2019
Case No. 18-013973-CZ, <i>Fisanik v. Henry Ford Village, Inc.</i> , Wayne County Circuit Court 10/25/2018
Case No. 14-006796-CK, <i>Plumley, et al. v. Henry Ford Village, Inc., et al.</i> , Wayne County Circuit Court 5/23/2014

Judgments:

Case No. 19-011948-CZ, <i>Colton v. Henry Ford Village, Inc.</i> , Wayne County Circuit Court 9/4/2019
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Schedule 3.5
Employee Relations

See attached re workers' compensation claims.

Schedule 3. 5 – Employee Relations

Case Title	Case Number	Nature of Case	Status of Case
Antonia Smith	189299409	Workers Comp	Hearing Scheduled
Raegan Sweet	189004730-001	Workers Comp	Hearing Scheduled
Leo Wallace	1721090	Workers Comp	Resolved

Schedule 3.8
Compliance

1. LARA Escrow Order.
2. Seller has paused ordinary-course entrance fee refunds, except for entrance fees subject to the LARA Escrow Order.

Schedule 3.10
Licensed Beds and Current Rate

Seller has 89 licensed beds, all of which are single beds, and 27 are dually certified for Medicare and Medicaid.

See attached.

Henry Ford Village

Schedule 3.10 - Licensed Beds and Current Rate Schedule

HEALTH & REHABILITATION CENTER	
Payer Type	Ending Census Count
Medicaid(Medicare Cert)	3
MedicareA(Medicare Cert)	10
MedicareA Advantage Plan(Medicare Cert)	10
Private Pay(Medicare Cert)	12
Unknown Payer(Medicare Cert)	5
Ending Census Count	40
Empty Beds on 3/24/2021	49
PreAdmit Bed Holds	0
Inactive Beds	0
Total Active Beds on 3/24/2021	89
<i>Occupancy Rate</i>	<i>44.9%</i>

Memo:

Dually Certified for Medicare and Medicaid	27
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Schedule 3.17
Environmental Matters

No disclosure.

Schedule 3.18
Financial Information

See attached.

HENRY FORD VILLAGE, INC.

Dearborn, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

HENRY FORD VILLAGE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Henry Ford Village, Inc.
Dearborn, Michigan

We have audited the accompanying financial statements of Henry Ford Village, Inc. (the "Community"), which comprise the balance sheet as of December 31, 2017, and the related statements of operations, changes in net deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Henry Ford Village, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community as of December 31, 2017, and the results of its operations, changes in net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
May 23, 2018

HENRY FORD VILLAGE, INC.

BALANCE SHEET As of December 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 430,398
Current portion of assets whose use is limited	835,251
Accounts receivable, net	3,347,633
Inventories	155,344
Prepaid expenses and other current assets	475,901
Total Current Assets	<u>5,244,527</u>
ASSETS WHOSE USE IS LIMITED	15,895,509
BOARD - RESTRICTED INVESTMENTS	2,124,686
PROPERTY AND EQUIPMENT, NET	<u>79,810,320</u>
TOTAL ASSETS	<u><u>\$103,075,042</u></u>
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 5,031,150
Accounts payable, related party	1,995,305
Resident refunds payable	3,739,556
Funds held for residents	143,251
Bonds payable, current portion	680,000
Charitable gift annuity, current portion	12,000
Total Current Liabilities	<u>11,601,262</u>
LONG-TERM LIABILITIES	
Advance deposits	611,070
Refundable entrance fees and deposits	106,492,071
Deferred revenue from nonrefundable entrance fees	6,880,306
Bonds payable, net	51,130,088
Charitable gift annuity, net of current portion	<u>118,372</u>
Total Liabilities	<u>176,833,169</u>
NET ASSETS (DEFICIT)	
Unrestricted	(74,650,589)
Temporarily restricted	<u>892,462</u>
Total Net Assets (Deficit)	<u>(73,758,127)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u><u>\$103,075,042</u></u>

See accompanying notes to financial statements.

HENRY FORD VILLAGE, INC.

STATEMENT OF OPERATIONS For the Year Ended December 31, 2017

UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT

Resident occupancy revenue	\$ 33,555,366
Ancillary fees	1,556,180
Other revenue	1,038,528
Amortization of residents' entrance fees	695,514
Investment income	158,734
Reclassification of net assets	92
Net assets released from restrictions	<u>105,228</u>
Total unrestricted revenues, gains and other support	<u>37,109,642</u>

EXPENSES

Salaries, wages and benefits	14,897,680
Depreciation	4,033,507
Interest	3,187,480
Professional and contracted services	2,294,372
Supplies	2,153,224
Dietary and related supplies	2,024,843
Building and grounds maintenance	1,912,007
Utilities	1,604,364
Administrative related	958,038
Marketing	902,661
PILOT and other taxes	784,693
Insurance	460,826
Management fees	369,750
Bad debt	348,675
Resident relations	71,300
Other	<u>39,915</u>
Total Expenses	<u>36,043,335</u>

Operating Income	1,066,307
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ASSUMPTION OF HENRY FORD VILLAGE FOUNDATION UNRESTRICTED NET DEFICIT

<u>(312,084)</u>

REVENUES IN EXCESS OF EXPENSES AND DECREASE IN UNRESTRICTED NET DEFICIT

<u>\$ 754,223</u>

See accompanying notes to financial statements.

HENRY FORD VILLAGE, INC.

STATEMENT OF CHANGES IN NET DEFICIT For the Year Ended December 31, 2017

UNRESTRICTED NET DEFICIT

Operating income	\$ 1,066,307
Assumption of Henry Ford Village Foundation unrestricted net deficit	<u>(312,084)</u>
Revenues in excess of expenses and decrease in unrestricted net deficit	<u>754,223</u>

TEMPORARILY RESTRICTED NET ASSETS

Contributions and income earned	105,228
Inherent contribution of temporarily restricted net assets from acquisition of Henry Ford Village Foundation	888,750
Net assets released from restrictions	<u>(105,228)</u>
Increase in Temporarily Restricted Net Assets	<u>888,750</u>

Decrease in Net Deficit 1,642,973

NET DEFICIT - Beginning of Year (75,401,100)

NET DEFICIT - END OF YEAR \$ (73,758,127)

See accompanying notes to financial statements.

HENRY FORD VILLAGE, INC.

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net deficit	\$ 1,642,973
Adjustments to reconcile to net cash flows from operating activities	
Inherent contribution of net assets assumed in the acquisition of Henry Ford Village Foundation	(576,666)
Depreciation	4,033,507
Amortization of debt issuance costs	41,189
Amortization of bond discount	21,877
Provision for bad debt expense	348,675
Proceeds from nonrefundable entrance fees	2,185,880
Revenue earned from reduced entrance fees and deposit refunds	(323,975)
Net realized and unrealized gain on investments	(51,356)
Amortization of residents' entrance fees	(695,514)
Changes in assets and liabilities	
Accounts receivable	(410,130)
Accounts receivable acquired in acquisition of Foundation	(697,750)
Inventories	(93,934)
Prepaid expenses and other current assets	(46,426)
Related party receivables and payables	411,704
Accounts payable, related party acquired in acquisition of Foundation	909,517
Accounts payable and accrued expenses	<u>(1,557,207)</u>
Net Cash Flows from Operating Activities	<u>5,142,364</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(1,657,978)
Decrease in note receivable from related party	208,077
Net purchases of assets whose use is limited and board-restricted investments	(12,575,520)
Cash and cash equivalents acquired in dissolution of Henry Ford Village Foundation	<u>269,480</u>
Net Cash Flows from Investing Activities	<u>(13,755,941)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in advance deposits	129,294
Proceeds from refundable entrance fees and deposits	7,146,054
Refunds of entrance fees and deposits	(12,233,412)
Decrease in resident spend-down account	(245,541)
Increase in resident refunds payable	769,895
Principal payments on bonds payable	(500,000)
Proceeds from additional bonds payable	14,185,000
Debt issuance costs	<u>(833,614)</u>
Net Cash Flows from Financing Activities	<u>8,417,676</u>

Net Change in Cash and Cash Equivalents (195,901)

CASH AND CASH EQUIVALENTS - Beginning of Year 626,299

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 430,398

See accompanying notes to financial statements.

HENRY FORD VILLAGE, INC.

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2017

Supplemental cash flow disclosures

Cash paid for interest	\$ <u>3,034,716</u>
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**Noncash investing and financing activities acquired in acquisition of
Foundation**

Assets whose use is limited	\$ 649,325
Accounts receivable	697,750
Accounts payable, related party	(909,517)
Charitable gift annuity	(130,372)

See accompanying notes to financial statements.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 1 - Nature of Operations

Henry Ford Village, Inc. (the "Community") is a Michigan non-stock corporation established to operate a not-for-profit continuing care retirement community located in Dearborn, Michigan. The property is presently zoned for 853 independent living units, 96 assisted living units and 89 skilled nursing beds. As of December 31, 2017, there were 796 occupied units, which consisted of 632 independent living units, 92 assisted living units and 72 skilled nursing beds.

The Community entered into a management agreement in December 2010 with Life Care Services, LLC (LCS), a for-profit Iowa limited liability company which operates and manages a variety of continuing care retirement communities nationwide.

The Community's Development Office carries out the entity's fundraising activities. The Development Office existed as a separate affiliated legal entity under the name Henry Ford Village Foundation, Inc. (the "Foundation"), which was incorporated in August 2004 and existed as a tax-exempt 501(c)(3) organization under the Internal Revenue Code of 1986.

The Community is governed by an independent Board of Directors and is advised by a Resident Council elected by the residents of the Community. Numerous members of the Board also serve on the Foundation Board of Directors. However, it was determined that the Board of the Foundation is not controlled by the Board of the Community, and accordingly, the financial statements of the Foundation were not required to be consolidated into the financial statements of the Community as of December 31, 2016.

In July 2017, the Board of Directors for both the Community and the Foundation voted unanimously to approve an acquisition of the Foundation in the interest of reducing costs and increasing operating efficiencies. Effective December 31, 2017, the net assets, rights and obligations of the Foundation were acquired by the Community pursuant to a Certificate of Merger and an Agreement and Plan of Merger filed with the State of Michigan.

Basis of Reporting

As shown in the accompanying financial statements, the Community has ended the fiscal year with revenues in excess of expenses of \$754,223, with an overall decrease in net deficit of \$1,642,973. The Community has a working capital deficit of \$6,356,735, and a net deficit of \$73,758,127. Management has taken several actions to ensure the Community will continue as a going concern through one year from the date these financial statements are issued. Management is currently executing a campus repositioning project that began in 2017. This repositioning, along with a conversion of certain independent living entrance fee units to independent living rental units, is projected to increase operating revenues to a sufficient level to satisfy debt service and capital requirements. In addition, cost reduction measures continue to be made, with the primary emphasis being on the reduction of salaries, wages and benefits, as well as administrative expenses.

Management believes that these actions will enable the Community to continue as a going concern through one year from the date these financial statements are issued. Accordingly, the financial statements do not include any adjustments that might be necessary if the Community is unable to continue as a going concern.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 2 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited and board-restricted investments.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of individual accounts and was \$342,380 at December 31, 2017.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. The fair value of substantially all securities is determined by quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Community's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the balance sheet are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the balance sheet could change materially in the near term.

Assets Whose Use Is Limited

Assets whose use is limited includes assets set aside for amounts held by a bond trustee under trust indentures; escrow funds held in connection with resident deposits; and funds held for residents. Amounts available to meet current liabilities have been classified as current assets in the balance sheet.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Property and Equipment

Property and equipment acquisitions are recorded at cost. All acquisitions of property and equipment in excess of \$2,500 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets as follows:

Land and land improvements	15 years
Building and building improvements	7 - 40 years
Furniture and fixtures	7 years
Equipment	3 - 5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the net assets exceeds the fair value of the assets. There were no impairment losses recorded in 2017.

Debt Issuance Costs

The Community presents debt issuance costs as a direct reduction of its long-term debt. Debt issuance costs represent costs incurred in connection with the issuance of long-term debt, and are being amortized over the life of the debt using the bonds outstanding method, which approximates the effective interest method. Amortization expense, included as a component of interest expense, was \$41,189 for the year ended December 31, 2017.

Original Issue Discount

The original issue discount is being amortized using the straight-line method, which approximates the effective interest method, over the term of the related debt. Amortization, included as a component of interest expense, of the original issue discount was \$21,877 in 2017.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Entrance Fees

Under entrance fee plans for residences, the Community receives payments in advance. Residents currently have two entrance plan options to choose from. One refundable contract has a guaranteed refund component, which is 75% of the entrance fee paid. Under this plan, refunds are generally equal to 75% of the entrance fee paid. The community also offers a declining balance contract. Under this contract, the refundable portion is calculated by taking the applicable entrance fee less 1.5% of the total entrance fee for each month or proportionate amount for a partial month of occupancy, less the actual cost of refurbishing the residence.

Refunds to residents are typically payable 30 days after their former independent or assisted living unit has been reoccupied. However, if a resident is permanently transferred to assisted living or skilled nursing care, no refund of any portion of the entrance fee is made until the resident permanently leaves the community. Skilled nursing entrance fees are refundable upon the payment of all outstanding obligations of the resident. Contractual refund obligations under residency agreements for the current entrance plan options approximated \$17,745,000 at December 31, 2017. Management estimates the amount of refundable entrance fees to be paid the following year from sources other than proceeds from entrance fees to residents who terminate their residency agreement the following year. This amount was \$3,739,556 at December 31, 2017, and is classified as a current liability in the balance sheet.

The guaranteed refundable component of advance fees received under the refundable plans is not amortized to income. These fees are classified as refundable entrance fees and deposits in the balance sheet. The nonrefundable balance of entrance fees is amortized to income using the straight-line method over the estimated remaining life expectancies of the residents, which are adjusted annually. These unamortized entrance fees are classified as deferred revenue from nonrefundable entrance fees in the balance sheet. Amortization of entrance fees recognized as revenue was \$695,514 for the year ended December 31, 2017.

Prior to January 1, 2015, the Community offered a refundable contract under which 100% of the entrance fee paid was refundable. The guaranteed refund component of entrance fees received under this plan is not amortized to income and is classified with refundable entrance fees and deposits in the balance sheet. At December 31, 2017, contractual refund obligations under this plan were approximately \$87,600,000.

The Community also received deposits from prospective residents of \$611,070 through December 31, 2017. These amounts are recorded in advance deposits in the balance sheet.

Resident entrance fees and deposits may be used to satisfy monthly fees if no other resident funds are available.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Community has been limited by donors to specific time periods or purposes. Temporarily restricted net assets were \$892,462 as of December 31, 2017. These net assets are available for the following purposes:

- > **Staff Appreciation Fund:** The Community does not permit residents to confer gratuities to individual employees. As a way for residents to show their appreciation to employees, the Community holds a fundraising drive each fall for residents to contribute to a staff appreciation fund. Those funds are distributed to employees who meet certain criteria for length of service.
- > **Benevolent Care Fund:** Under certain circumstances, residents who exhaust their assets and cannot cover their costs of residency and necessary services from the Community can be granted relief from this restricted fund. The Community performs fundraising efforts and uses such contributions to offset the costs of benevolent care efforts.
- > **Quality of Resident Life Fund:** Occasionally, needs for amenities generate attention among the resident population such that funds are raised for specific projects related to campus beautification.
- > **Scholarship Fund:** The Community conducts an annual campaign specifically to fund scholarship awards for employees pursuing college education.

Temporarily restricted net assets are available as of December 31, 2017 for the following purposes:

Staff appreciation fund	\$ 3,804
Benevolent care fund	327,379
Quality of resident life fund	347,449
Scholarship fund	<u>213,830</u>
Total temporarily restricted net assets	<u>\$ 892,462</u>

Net assets were released from restrictions, by incurring expenses satisfying the purpose or time restrictions specified by donors, as follows:

Staff appreciation fund	<u>\$ 105,228</u>
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Resident Occupancy Revenue

Resident occupancy revenues are reported at the estimated net realizable amounts from residents, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Donor Restricted Gifts

The Community reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Income Taxes

The Community is a nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

Payment In Lieu of Taxes ("PILOT")

Given that the Community claims exemption under the General Property Tax Act and is treated as exempt from property taxation, but benefits from city services for availability of police, fire and other public services, the Community entered into a 40-year agreement with the City of Dearborn for Payment In Lieu of Taxes ("PILOT") effective June 30, 2010. The City has the right to renew the agreement for an additional 40 years. The agreement encompasses all tax-exempt personal and real property located at 15101 Ford Road, Dearborn, Michigan 48126 and is conditioned on the Community maintaining its non-profit tax-exempt status under applicable laws.

The PILOT agreement requires one payment to be made annually on July 1 of each year. Under the agreement, each year the payment will increase by the lesser of a change in the Consumer Price Index for the United States, as reported by the Michigan Department of Treasury, or five percent. After each 10-year period under the agreement, both parties have agreed to review the payment calculation methodology to ensure that increases provided for in the agreement are consistent with real property valuation increases in the general population within the city of Dearborn. The amount of the PILOT invoiced on July 1, 2017 was approximately \$556,000.

Revenues in Excess of Expenses

The statement of operations includes the determination of revenues in excess of expenses. Changes in unrestricted net assets which are excluded from the determination of revenues in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets) and transfers from affiliates.

Subsequent Events

The Community has evaluated events through May 23, 2018, which is the date the financial statements were approved and issued.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 3 - Foundation Acquisition

Effective December 31, 2017, the Community acquired all of the assets and liabilities of the Foundation as a result of the Foundation's dissolution. The assets acquired and liabilities assumed of the Foundation were recorded at fair value on the Community's financial statement as follows:

Cash	\$	269,480
Assets whose use is limited		649,325
Pledges receivable		697,750
Charitable gift annuity		(130,372)
Accounts payable, related party		<u>(909,517)</u>
Net assets acquired	\$	<u>576,666</u>

The transfer of the net assets from the Foundation was accounted for using the acquisition method of accounting. All activities for the Foundation are expected to be predominately contributions and returns on investments, and accordingly, a separate change was recognized for the Foundation's unrestricted net deficit in the statement of operations and changes in net deficit.

NOTE 4 - Resident Occupancy Revenues

The Community has agreements with third-party payors that provide for payments to the Community at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

- > **Medicaid:** Nursing services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology, plus a Quality Assurance Supplement ("QAS"). The methodology is subject to various limitations and adjustments. The Community is reimbursed for cost reimbursable expenditures plus a QAS at tentative interim rates, with final settlement determined after submission of annual cost reports and audits thereof by the Michigan Department of Community Health's Long-Term Care Reimbursement and Rate Setting Section. The Community's Medicaid cost reports have been final settled through 2011. Approximately 2% of the Community's resident occupancy revenue was derived from the Medicaid program in 2017.
- > **Medicare:** Nursing and ancillary services rendered to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The Community is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges. Approximately 17% of the Community's resident occupancy revenue was derived from services rendered to Medicare beneficiaries in 2017.

As described above, the Medicaid and Medicare rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Community's clinical assessment of its residents. The Community is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 4 - Resident Occupancy Revenues (cont.)

The Community also entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to the Community under these agreements includes prospectively determined rates per day and discounts from established charges.

NOTE 5 - Assets Whose Use Is Limited and Board-Restricted Investments

Assets whose use is limited are held in connection with the following:

Held by bond trustee - debt service reserve fund	\$ 4,352,317
Held by bond trustee - debt service fund	318,477
Held by bond trustee - capital expenditures fund	10,630,519
Advance deposits by prospective residents	628,480
Funds held for resident activities	151,642
Memorial funds	481,706
Gift annuity	<u>167,619</u>
Total assets whose use is limited	16,730,760
Less: Funds available to meet current liabilities	<u>835,251</u>
Noncurrent Portion of Assets whose use is Limited	<u>\$ 15,895,509</u>

The Community measures its investments and assets whose use is limited on a recurring basis in accordance with accounting principles generally accepted in the United States of America. The Community's investments and assets whose use is limited consist of the following:

Current portion of assets whose use is limited	\$ 835,251
Noncurrent portion of assets whose use is limited	15,895,509
Board-restricted investments	<u>2,124,686</u>
Total Investments and Assets whose use is Limited	<u>\$ 18,855,446</u>

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 5 - Assets Whose Use Is Limited and Board-Restricted Investments (cont.)

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Community for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The financial instruments listed below were measured using the following inputs at December 31, 2017:

	Carrying Value	Fair Value	Level 1	Level 2
Reported at Fair Value				
Board restricted investments and assets whose use is limited:				
Cash and cash equivalents	\$ 12,900,135	\$ 12,900,135	\$ 12,900,135	\$ -
U.S. government and agency obligations	2,371,507	2,371,507	-	2,371,507
Corporate bonds	2,535,036	2,535,036	-	2,535,036
Municipal bonds	84,519	84,519	-	84,519
Equities	630,598	630,598	630,598	-
Mutual funds	<u>333,651</u>	<u>333,651</u>	<u>333,651</u>	<u>-</u>
Total	<u>\$ 18,855,446</u>	<u>\$ 18,855,446</u>	<u>\$ 13,864,384</u>	<u>\$ 4,991,062</u>
Disclosed at Fair Value				
Cash and cash equivalents	<u>\$ 430,398</u>	<u>\$ 430,398</u>	<u>\$ 430,398</u>	<u>\$ -</u>
Long-term debt	<u>\$ 53,730,000</u>	<u>\$ 53,730,000</u>	<u>\$ -</u>	<u>\$ 53,730,000</u>

There were no Level 3 investments as of December 31, 2017.

The following is a description of the valuation methodologies used for assets reported at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2017.

The carrying amounts of cash and cash equivalents included in board-restricted investments and assets whose use is limited approximates fair value due to the short-term nature of these instruments.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 5 - Assets Whose Use Is Limited and Board-Restricted Investments (cont.)

Equities and mutual funds are valued at fair value based on quoted market prices for identical securities in active markets that the Community has the ability to access at the measurement date.

U.S. government and agency obligations, corporate bonds and municipal bonds are valued at fair value based on quoted market prices for similar securities in active markets that the Community has the ability to access at the measurement date.

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

The carrying value of long-term debt approximates fair value based on current trade value, if available, or is estimated using discounted cash flow analyses, based on the Community's current incremental borrowing rates for similar types of borrowing arrangements.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Community believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment income on the investments and assets whose use is limited consisted of the following for the year ended December 31, 2017:

Interest and dividends	\$ 107,378
Net realized gain on sale of investments	58,457
Net unrealized loss on investments	<u>(7,101)</u>
Total investment income	<u>\$ 158,734</u>

NOTE 6 - Property and Equipment, Net

Property and equipment, net is as follows:

Land and land improvements	\$ 6,129,134
Building and building improvements	150,359,234
Furniture and fixtures	6,626,070
Equipment	<u>2,359,151</u>
Total	165,473,589
Less: Accumulated depreciation	(86,184,810)
Construction-in-progress	<u>521,541</u>
Property and equipment, net	<u>\$ 79,810,320</u>

Depreciation expense related to property and equipment was \$4,033,507 for the year ended December 31, 2017.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 7 - Bonds Payable

Long-term debt consists of the following at December 31, 2017:

	Series 2008 Bonds	Series 2017 Bonds	Total
Bonds payable	\$ 39,545,000	\$ 14,185,000	\$ 53,730,000
Less original issue discount	453,839	-	453,839
Less current maturities	530,000	150,000	680,000
Less debt issuance costs	<u>632,459</u>	<u>833,614</u>	<u>1,466,073</u>
Long-term Debt, Net	<u>\$ 37,928,702</u>	<u>\$ 13,201,386</u>	<u>\$ 51,130,088</u>

On October 1, 2008, the Community closed on Series 2008 Bonds issued by the Economic Development Corporation of the City of Dearborn in the amount of \$42,535,000. The 2008 Bonds are tax-exempt with a fixed interest rates varying between 6.0% and 7.15%, with a final maturity in November 2043. No letter of credit is required for the Series 2008 Bonds. The Series 2008 Bonds are secured by all property and gross receipts of the Community.

On September 27, 2017, the Community closed on Series 2017 Bonds issued by Economic Development Corporation of the City of Dearborn in the amount of \$14,185,000. The 2017 Bonds are tax-exempt with a fixed interest rate of 7.5%, with a final maturity in November 2044. No letter of credit is required for the Series 2017 Bonds. The Series 2008 and Series 2017 Bonds are secured by all property and gross receipts of the Community.

Scheduled principal repayments on long-term debt are as follows:

Year Ending	Series 2008 Bonds	Series 2017 Bonds	Total
2018	\$ 530,000	\$ 150,000	\$ 680,000
2019	565,000	155,000	720,000
2020	605,000	170,000	775,000
2021	645,000	185,000	830,000
2022	690,000	195,000	885,000
Thereafter	<u>36,510,000</u>	<u>13,330,000</u>	<u>49,840,000</u>
	<u>\$ 39,545,000</u>	<u>\$ 14,185,000</u>	<u>\$ 53,730,000</u>

NOTE 8 - Defined Contribution Plan

The Community maintains a defined contribution plan for the Community employees meeting certain eligibility requirements. Eligible employees may contribute up to 50% of their salary to a maximum contribution of \$18,000 on a pre-tax basis. Contribution expenses made by the Community was \$25,920 in 2017.

NOTE 9 - Related Party Transactions

The Community had amounts due to LCS of \$1,995,305 as of December 31, 2017. These amounts are recorded as accounts payable, related party in the accompanying balance sheet.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 10 - Management Agreement

On December 1, 2010, the Community contracted with LCS for management services. The LCS contract term was for five years and was extended until September 30, 2021. Management fees incurred under this contract were \$369,750 for the year ended December 31, 2017.

The executive director and administrator are employees of LCS, but their salaries and related employee benefits are reimbursed by the Community. Reimbursement paid to LCS for LCS employees in 2017 totaled \$451,328. These amounts are included in administrative related expenses in the statement of operations. Other corporate services that the Community may obtain are not required contractually and are on an as-needed basis.

NOTE 11 - Contingencies

Insurance Coverage

The Community maintains professional liability, health insurance and workers compensation insurance coverage through an independent insurance carrier. No claims in excess of insurance coverage exist. In addition, no claims in recent past years have been settled for amounts in excess of insurance coverage.

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future effects of this matter on the Community, if any, are not presently determinable.

Litigation

The Community operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverages, have a material adverse effect on the financial statements.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 12 - Concentration of Credit Risk

The Community grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicaid and Medicare.

The Community maintains cash accounts, which, at times, may exceed federally insured limits. The Community has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

NOTE 13 - Functional Expenses

The Community provides housing, healthcare, and other related services to residents within its geographic locations. Expenses related to providing these services are as follows:

Resident services	\$ 29,711,762
General and administrative	<u>6,331,573</u>
Total	<u>\$ 36,043,335</u>

NOTE 14 - New Accounting Pronouncements

During August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): "*Presentation of Financial Statements of Not-for-Profit Entities*." The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Community is assessing the impact this standard will have on its financial statements.

During May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*". ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Community may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Community is currently assessing the effect that ASU 2014-09 will have on its results of operations, financial position and cash flows.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE 14 - New Accounting Pronouncements (cont.)

During November 2016, the FASB issued ASU 2016-18, "*Restricted Cash*", which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, and should be applied on a retrospective transition basis. Early adoption is permitted. The Community is currently evaluating the effect that ASU 2016-18 will have on its results of operations, financial position and cash flows.

HENRY FORD VILLAGE, INC.

Dearborn, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2018

HENRY FORD VILLAGE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Henry Ford Village, Inc.
Dearborn, Michigan

We have audited the accompanying financial statements of Henry Ford Village, Inc. (the "Community"), which comprise the balance sheet as of December 31, 2018, and the related statements of operations, changes in net deficit, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community as of December 31, 2018, and the results of its operations, changes in net deficit, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
September 9, 2019

HENRY FORD VILLAGE, INC.

BALANCE SHEET As of December 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,376,375
Current portion of assets whose use is limited	863,361
Accounts receivable, net	3,693,827
Inventories	167,976
Prepaid expenses and other current assets	<u>426,923</u>
Total Current Assets	<u>6,528,462</u>

ASSETS WHOSE USE IS LIMITED 9,607,301

BOARD - RESTRICTED INVESTMENTS 2,019,901

PROPERTY AND EQUIPMENT, NET 82,230,853

TOTAL ASSETS \$ 100,386,517

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 6,252,607
Accounts payable, related party	2,041,355
Resident refunds payable	6,187,965
Funds held for residents	139,714
Bonds payable, current portion	720,000
Charitable gift annuity, current portion	<u>8,452</u>
Total Current Liabilities	<u>15,350,093</u>

LONG-TERM LIABILITIES

Advance deposits	787,026
Refundable entrance fees and deposits	98,765,882
Deferred revenue from nonrefundable entrance fees	9,628,891
Bonds payable, net	50,503,211
Charitable gift annuity, net of current portion	<u>32,909</u>
Total Long-Term Liabilities	<u>159,717,919</u>

Total Liabilities 175,068,012

NET ASSETS (DEFICIT)

Without donor restrictions	(75,999,798)
With donor restrictions	<u>1,318,303</u>
Total Net Deficit	<u>(74,681,495)</u>

TOTAL LIABILITIES AND NET ASSETS (DEFICIT) \$ 100,386,517

See accompanying notes to financial statements.

HENRY FORD VILLAGE, INC.

STATEMENT OF OPERATIONS For the Year Ended December 31, 2018

REVENUES WITHOUT DONOR RESTRICTIONS

Net resident service revenues	\$ 37,314,102
Other revenue	716,267
Investment income	89,767
Net assets released from restrictions	<u>972,556</u>
Total revenues without donor restrictions	<u>39,092,692</u>

EXPENSES

Salaries and wages and benefits	14,885,164
Dietary and related supplies	3,592,468
Supplies	850,944
Utilities	1,903,502
Building grounds and maintenance	2,140,976
Marketing expenses	1,077,205
Management expenses	424,575
Professional and contracted services	3,166,661
Administrative related	755,398
Real estate taxes	882,777
Insurance	460,836
Resident relations	165,405
Other	435,064
Depreciation	4,304,906
Interest	4,060,116
Bad debts	<u>930,904</u>
Total Expenses	<u>40,036,901</u>

Revenues less than expenses \$ (944,209)

HENRY FORD VILLAGE, INC.

STATEMENT OF CHANGES IN NET DEFICIT For the Year Ended December 31, 2018

NET DEFICIT WITHOUT DONOR RESTRICTIONS

Revenues less than expenses	\$ (944,209)
Reclassification of net assets	<u>(405,000)</u>
Increase in Net Deficit Without Donor Restrictions	<u>(1,349,209)</u>

NET ASSETS WITH DONOR RESTRICTIONS

Contributions and income earned	993,397
Net assets transfer due to donor restriction	405,000
Net assets released from restrictions	<u>(972,556)</u>
Increase in Net Assets With Donor Restrictions	<u>425,841</u>

Increase in Net Deficit	(923,368)
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NET DEFICIT - Beginning of Year	<u>(73,758,127)</u>
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NET DEFICIT - END OF YEAR	<u>\$ (74,681,495)</u>
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HENRY FORD VILLAGE, INC.

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Deficit	\$ (923,368)
Depreciation	4,304,906
Amortization of debt issuance costs	67,871
Amortization of bond discount	25,252
Provision for bad debt expense	930,904
Proceeds from nonrefundable entrance fees	4,055,177
Revenue earned from reduced entrance fees and deposit refunds	(492,500)
Net realized and unrealized loss on investments	199,816
Amortization of residents' entrance fees	(1,507,439)
Change in value of charitable gift annuity	(89,011)
Changes in assets and liabilities	
Accounts receivable	(1,277,098)
Inventories	(12,632)
Prepaid expenses and other current assets	48,978
Related party receivables and payables	46,050
Accounts payable and accrued expenses	<u>791,094</u>
Net Cash Flows from Operating Activities	<u>6,168,000</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(6,295,076)
Net sales of assets whose use is limited and board-restricted investments	<u>6,161,530</u>
Net Cash Flows used in Investing Activities	<u>(133,546)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in advance deposits	(2,864)
Proceeds from refundable entrance fees and deposits	7,887,584
Refunds of entrance fees and deposits	(11,035,086)
Decrease in resident spend-down account	(1,138,254)
Increase in resident refunds payable	(119,857)
Principal payments on bonds payable	<u>(680,000)</u>
Net Cash Flows used in Financing Activities	<u>(5,088,477)</u>

Net Change in Cash and Cash Equivalents 945,977

CASH AND CASH EQUIVALENTS - Beginning of Year 430,398

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 1,376,375

Supplemental cash flow disclosures

Cash paid for interest \$ 3,930,087

Noncash investing and financing activities

Accounts payable incurred for construction in process \$ 430,363

See accompanying notes to financial statements.

HENRY FORD VILLAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2018

	Skilled Nursing	Assisted Living	Resident Services	Food Services	Plant Operations	Environment al Services	Total Program	General and Administrative	2018 Total
Salaries and wages and benefits	\$4,765,860	\$1,905,012	\$ 326,574	\$3,217,575	\$1,995,597	\$ 16,324	\$ 12,226,942	\$ 2,658,222	\$ 14,885,164
Dietary and related supplies	1,459,123	-	-	2,144,272	-	-	3,603,395	(10,927)	3,592,468
Supplies	70,191	55,753	10,455	430,397	254,159	-	820,955	29,989	850,944
Utilities	31,918	-	-	-	1,732,640	-	1,764,558	138,944	1,903,502
Building grounds and maintenance	12,869	2,864	4,520	102,721	937,744	929,852	1,990,570	150,406	2,140,976
Marketing expenses	-	-	-	-	7,072	-	7,072	1,070,133	1,077,205
Management expenses	-	-	-	-	-	-	-	424,575	424,575
Professional and contracted services	2,115,456	8,545	20,468	6,034	28,553	-	2,179,056	987,605	3,166,661
Administrative related	24,355	6,128	7,163	22,818	23,931	-	84,395	671,003	755,398
Real estate taxes	-	-	-	-	-	-	-	882,777	882,777
Insurance	-	-	-	-	-	-	-	460,836	460,836
Resident relations	10,823	12,597	58,875	15,666	-	1,825	99,786	65,619	165,405
Other	-	-	-	(11,745)	81,715	-	69,970	365,094	435,064
Depreciation	-	-	-	-	-	-	4,304,906	-	4,304,906
Interest	-	-	-	-	-	-	4,060,116	-	4,060,116
Bad debts	-	-	-	-	-	-	930,904	-	930,904
Total Expenses	<u>\$8,490,595</u>	<u>\$1,990,899</u>	<u>\$ 428,055</u>	<u>\$5,927,738</u>	<u>\$5,061,411</u>	<u>\$ 948,001</u>	<u>\$ 32,142,625</u>	<u>\$ 7,894,276</u>	<u>\$ 40,036,901</u>

See accompanying notes to financial statements.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 1 - Nature of Operations

Henry Ford Village, Inc. (the "Community") is a Michigan non-stock corporation established to operate a not-for-profit continuing care retirement community located in Dearborn, Michigan. The property is presently zoned for 853 independent living units, 96 assisted living units and 89 skilled nursing beds. As of December 31, 2018, there were 783 occupied units, which consisted of 618 independent living units, 94 assisted living units, and 71 skilled nursing beds. As of December 31, 2017, there were 796 occupied units, which consisted of 632 independent living units, 92 assisted living units, and 72 skilled nursing beds. The Community is governed by an independent Board of Directors and is advised by a Resident Council elected by the residents of the Community.

The Community entered into a management agreement in December 2010 with Life Care Services, LLC (LCS), a for-profit Iowa limited liability company which operates and manages a variety of continuing care retirement communities nationwide.

Basis of Reporting

As shown in the accompanying financial statements, the Community has ended the fiscal year with revenues less than expenses of \$944,209, with an overall increase in net deficit of \$923,368. The Community has a working capital deficit of \$8,821,631. Management is in the middle of a repositioning project to improve its financial condition. The project consists of converting up to 75 independent living entrance fee units into independent living rental units and financing critical capital improvements for 3 years. It is anticipated stabilized occupancy will occur in 2021. The Community obtained tax exempt bond financing in September 2017 of approximately \$13,000,000 for these capital improvements. The construction activities for these capital projects began in October 2017. Management believes that the repositioning of these units combined with marketing the overall facility to improve occupancy, and ongoing monitoring of patient service fees and costs provides the opportunity for enhancement of revenues and overall improved operating results. Management determined that it is probable that its effective implementation of the aforementioned plans will mitigate the relevant conditions so that the Community will be able to meet its obligations as they become due within one year after the financial statements are issued. The financial statements do not include any adjustments that might be necessary if the Community is unable to continue as a going concern. As of December 31, 2018, approximately \$4 million was left of the financing with expectation of being fully spent in 2019.

The Community is current with bond payments, meeting its bond covenants for the period ending December 31, 2018. The Community is working diligently to bring existing working capital to a positive over the next several years.

Management believes that these actions will enable the Community to continue as a going concern through one year from the date these financial statements are issued. Accordingly, the financial statements do not include any adjustments that might be necessary if the Community is unable to continue as a going concern.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 2 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited and board-restricted investments.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of individual accounts and was \$659,860 at December 31, 2018.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. The fair value of substantially all securities is determined by quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues less than expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Community's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the balance sheet are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the balance sheet could change materially in the near term.

Assets Whose Use Is Limited

Assets whose use is limited includes assets set aside for amounts held by a bond trustee under trust indentures, escrow funds held in connection with resident deposits, and funds held for residents. Amounts available to meet current liabilities have been classified as current assets in the balance sheet.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Property and Equipment

Property and equipment acquisitions are recorded at cost. All acquisitions of property and equipment in excess of \$2,500 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets as follows:

Land and land improvements	15 years
Building and building improvements	7 - 40 years
Furniture and fixtures	7 years
Equipment	3 - 5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the net assets exceeds the fair value of the assets. To date, there have been no such losses.

Debt Issuance Costs

The Community presents debt issuance costs as a direct reduction of its long-term debt. Debt issuance costs represent costs incurred in connection with the issuance of long-term debt, and are being amortized over the life of the debt using the bonds outstanding method, which approximates the effective interest method. Amortization expense, included as a component of interest expense, was \$67,871 for the year ended December 31, 2018.

Original Issue Discount

The original issue discount is being amortized using the straight-line method, which approximates the effective interest method, over the term of the related debt. Amortization, included as a component of interest expense, of the original issue discount was \$25,252 for the year ended December 31, 2018.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Entrance Fees

Under entrance fee plans for residences, the Community receives payments in advance. Residents currently have two entrance plan options to choose from. One refundable contract has a guaranteed refund component, which is 75% of the entrance fee paid. Under this plan, refunds are generally equal to 75% of the entrance fee paid. The Community also offers a declining balance contract. Under this contract, the refundable portion is calculated by taking the applicable entrance fee less 1.5% of the total entrance fee for each month or proportionate amount for a partial month of occupancy, less the actual cost of refurbishing the residence.

Refunds to residents are typically payable 30 days after their former independent or assisted living unit has been reoccupied. However, if a resident is permanently transferred to assisted living or skilled nursing care, no refund of any portion of the entrance fee is made until the resident permanently leaves the community. Skilled nursing entrance fees are refundable upon the payment of all outstanding obligations of the resident. Contractual refund obligations under residency agreements for the current entrance plan options approximated \$24,084,900 at December 31, 2018. Management estimates the amount of refundable entrance fees to be paid the following year from sources other than proceeds from entrance fees to residents who terminate their residency agreement the following year. This amount was \$6,187,965 at December 31, 2018 and is classified as a current liability in the balance sheet.

The guaranteed refundable component of advance fees received under the refundable plans is not amortized to income. These fees are classified as refundable entrance fees and deposits in the balance sheet. The nonrefundable balance of entrance fees is amortized to income using the straight-line method over the estimated remaining residents' stay in independent living, which are adjusted annually. These unamortized entrance fees are classified as deferred revenue from nonrefundable entrance fees in the balance sheet. Amortization of entrance fees recognized as revenue was \$1,507,439 for the year ended December 31, 2018.

Prior to January 1, 2015, the Community offered a refundable contract under which 100% of the entrance fee paid was refundable. The guaranteed refund component of entrance fees received under this plan is not amortized to income and is classified with refundable entrance fees and deposits in the balance sheet. At December 31, 2018, contractual refund obligations under this plan were approximately \$77,533,000.

The Community also received deposits from prospective residents of \$787,026 through December 31, 2018. These amounts are recorded in advance deposits in the balance sheet.

Resident entrance fees and deposits may be used to satisfy monthly fees if no other resident funds are available.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Community are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Community pursuant to those stipulations, or are required to be maintained permanently by the Community. Donor restricted net assets were \$1,318,303 as of December 31, 2018. These net assets are available for the following purposes:

- > **Staff Appreciation Fund:** The Community does not permit residents to confer gratuities to individual employees. As a way for residents to show their appreciation to employees, the Community holds a fundraising drive each fall for residents to contribute to a staff appreciation fund. Those funds are distributed to employees who meet certain criteria for length of service.
- > **Benevolent Care Fund:** Under certain circumstances, residents who exhaust their assets and cannot cover their costs of residency and necessary services from the Community can be granted relief from this restricted fund. The Community performs fundraising efforts and uses such contributions to offset the costs of benevolent care efforts.
- > **Quality of Resident Life Fund:** Occasionally, needs for amenities generate attention among the resident population such that funds are raised for specific projects related to campus beautification.
- > **Scholarship Fund:** The Community conducts an annual campaign specifically to fund scholarship awards for employees pursuing college education.
- > **Scholarship Endowment:** The Community has a number of endowed scholarship funds specified by donors for specific educational tracts. Annually, the scholarship committee selects the winners to receive that years' distribution of the endowed scholarships.

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Community expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Net resident service revenues are primarily comprised of the following revenue streams:

- > **Skilled nursing:** Skilled nursing revenues are primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. The Community has determined that skilled nursing services are considered one performance obligation which is satisfied over time as services are provided. Therefore, skilled nursing revenues are recognized on a daily basis as services are rendered.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Net Resident Service Revenues (cont.)

- > **Assisted Living:** Assisted living revenues are primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Community has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, assisted living revenues are recognized on a month-to-month basis.

- > **Independent living:** Independent living revenues are primarily derived from: (a) providing housing and services to residents; and (b) the nonrefundable portion of entrance fee contracts entered into with residents. Independent living monthly fees are recognized on a month-to-month basis. The Community has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided.

Independent living revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over the annually adjusted estimated remaining expected stay in independent living for the residents. The unamortized portion is classified as deferred revenue from entrance fees in the balance sheet. Amortization of nonrefundable entrance fees included in independent living revenues was \$1,507,439 in 2018.

- > **Ancillary Services:** Ancillary service revenues are derived from services provided primarily to skilled nursing residents for pharmacy, physical therapy, occupational therapy, speech therapy and other healthcare related services at a stated fee, net of any contractual adjustments from third-party payors. Each service provided is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied and recognized as services are provided. The Community is reimbursed for certain therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

The Community receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors (Note 3). Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Community estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

Donor Restricted Gifts

The Community reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Income Taxes

The Community is a nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

Payment In Lieu of Taxes ("PILOT")

Given that the Community claims exemption under the General Property Tax Act and is treated as exempt from property taxation, but benefits from city services for availability of police, fire and other public services, the Community entered into a 40-year agreement with the City of Dearborn for Payment In Lieu of Taxes ("PILOT") effective June 30, 2010. The City has the right to renew the agreement for an additional 40 years. The agreement encompasses all tax-exempt personal and real property located at 15101 Ford Road, Dearborn, Michigan 48126 and is conditioned on the Community maintaining its non-profit tax-exempt status under applicable laws.

The PILOT agreement requires one payment to be made annually on July 1 of each year. Under the agreement, each year the payment will increase by the lesser of a change in the Consumer Price Index for the United States, as reported by the Michigan Department of Treasury, or five percent. After each 10-year period under the agreement, both parties have agreed to review the payment calculation methodology to ensure that increases provided for in the agreement are consistent with real property valuation increases in the general population within the city of Dearborn. The amount of the PILOT invoiced on July 1, 2018 was approximately \$564,000.

Functional Expense Allocation

The financial statements report certain categories of expenses that are related to more than one program or supporting function. The expenses that are allocated include occupancy, and depreciation and amortization, which are allocated on a square footage or units of service basis, as well as salaries and wages, employee benefits, payroll taxes, professional fees, advertising, travel, and other, which are allocated based on estimated time and effort.

Measure of Operations

The statements of operations includes the determination of revenues less than expenses. Revenues less than expenses includes all operating revenues and expenses that are an integral part of its program activities, as well as investment income, contributions and other nonoperating activities that are used to support its program activities. Changes in net assets without donor restrictions, which are excluded from the determination of revenues less than expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), reclassification of net assets, and transfers of net assets to related parties.

Reclassifications

Certain amounts appearing in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications have no effect on the reported amounts of total net assets or change in total net assets.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Adoption of Financial Accounting Standard Board's Accounting Standards Updates

In 2018, the Community adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (residents) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements. Under the full retrospective approach, the guidance is applied to the first period presented, recognizing a cumulative effect of the adoption change as an adjustment to beginning net assets without donor restrictions.

In 2018, the Community adopted the FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Community has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources. These disclosures have been presented for 2018 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- > The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- > The temporarily restricted net asset class has been renamed Net Assets with Donor Restrictions;
- > The financial statements include a disclosure about liquidity and availability of resources at December 31, 2018 (Note 13).
- > The financial statements include a statement of functional expenses.

Subsequent Events

The Community has evaluated events through September 9, 2019, which is the date the financial statements were approved and issued.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 3 - Net Resident Service Revenues

The Organization disaggregate's revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Net resident service revenues consist of the following for the years ended December 31, 2018:

	<u>Self Pay</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Commercial</u>	<u>Amortization</u>	<u>Total</u>
Nursing						
Skilled Nursing	\$ 1,653,952	\$ 5,077,733	\$ 920,311	\$ 693,313	\$ -	\$ 8,345,309
Therapy	42,075	-	-	2,904,009	-	2,946,084
Ancillary	744,175	-	-	-	-	744,175
Total	2,440,202	5,077,733	920,311	3,597,322	-	12,035,568
Assisted Living						
Monthly Fees	5,976,912	-	-	-	-	5,976,912
Ancillary	128,707	-	-	-	-	128,707
Total	6,105,619	-	-	-	-	6,105,619
Independent Living						
Monthly Fees	16,586,379	-	-	-	-	16,586,379
Amortization	-	-	-	-	1,507,439	1,507,439
Ancillary	989,097	-	-	-	-	989,097
Total	17,575,476	-	-	-	1,507,439	19,082,915
Clinic revenues	90,000	-	-	-	-	90,000
Total	90,000	-	-	-	-	90,000
Total	<u>\$ 26,211,297</u>	<u>\$ 5,077,733</u>	<u>\$ 920,311</u>	<u>\$ 3,597,322</u>	<u>\$ 1,507,439</u>	<u>\$ 37,314,102</u>

Payment terms and conditions for the Community's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services are generally billed each month as services are rendered. Net resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying balance sheet. The Community recognized \$1,390,939 in 2018 of revenue that was included in the deferred revenue from entrance fees balance as of January 1, 2018. The Community applies the practical expedient in ASC 606 and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 3 - Net Resident Service Revenues (cont.)

The Community has agreements with third-party payors that provide for payments to the Community at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

- > **Medicaid:** Nursing services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology, plus a Quality Assurance Supplement ("QAS"). The methodology is subject to various limitations and adjustments. The Community is reimbursed for cost reimbursable expenditures plus a QAS at tentative interim rates, with final settlement determined after submission of annual cost reports and audits thereof by the Michigan Department of Community Health's Long-Term Care Reimbursement and Rate Setting Section. The Community's Medicaid cost reports have been final settled through 2011. Approximately 2 percent of the Community's resident occupancy revenue was derived from the Medicaid program for the year ended December 31, 2018.
- > **Medicare:** Nursing and ancillary services rendered to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The Community is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges. Approximately 14 percent of the Community's resident occupancy revenue was derived from services rendered to Medicare beneficiaries for the year ended December 31, 2018.

As described above, the Medicaid and Medicare rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Community's clinical assessment of its residents. The Community is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment.

The Community also entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to the Community under these agreements includes prospectively determined rates per day and discounts from established charges.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 4 - Assets Whose Use Is Limited and Board-Restricted Investments

Assets whose use is limited are held in connection with the following:

Held by bond trustee - debt service reserve fund	\$ 4,619,459
Held by bond trustee - debt service fund	378,553
Held by bond trustee - capital expenditures fund	4,159,518
Advance deposits by prospective residents	625,008
Funds held for resident activities	161,160
Endowed scholarship fund	405,031
Memorial funds	77,801
Gift annuity	<u>44,132</u>
Total assets whose use is limited	10,470,662
Less: Funds available to meet current liabilities	<u>863,361</u>
Noncurrent portion of assets whose use is limited	<u>\$ 9,607,301</u>

The Community measures its investments and assets whose use is limited at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. The Community's investments and assets whose use is limited consist of the following:

Current portion of assets whose use is limited	\$ 863,361
Noncurrent portion of assets whose use is limited	9,607,301
Board-restricted investments	<u>2,019,901</u>
Total investments and assets whose use is limited	<u>\$ 12,490,563</u>

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 4 - Assets Whose Use Is Limited and Board-Restricted Investments (cont.)

Fair Value Measurements (cont.)

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Community for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The financial instruments listed below were measured using the following inputs at December 31, 2018:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Reported at Fair Value				
Board restricted investments and assets whose use is limited:				
Cash and cash equivalents	\$ 6,111,969	\$ 6,111,969	\$ 6,111,969	\$ -
U.S. government and agency obligations	3,001,449	3,001,449	-	3,001,449
Corporate bonds	2,021,880	2,021,880	-	2,021,880
Municipal bonds	49,778	49,778	-	49,778
Equities	883,835	883,835	883,835	-
Mutual funds	<u>421,652</u>	<u>421,652</u>	<u>421,652</u>	<u>-</u>
Total	<u>\$ 12,490,563</u>	<u>\$ 12,490,563</u>	<u>\$ 7,417,456</u>	<u>\$ 5,073,107</u>
Disclosed at Fair Value				
Cash and cash equivalents	<u>\$ 1,376,375</u>	<u>\$ 1,376,375</u>	<u>\$ 1,376,375</u>	<u>\$ -</u>
Long-term debt	<u>\$ 53,050,000</u>	<u>\$ 53,050,000</u>	<u>\$ -</u>	<u>\$ 53,050,000</u>

There were no Level 3 investments as of December 31, 2018.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 4 - Assets Whose Use Is Limited and Board-Restricted Investments (cont.)

The following is a description of the valuation methodologies used for assets reported at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2018.

The carrying amounts of cash and cash equivalents included in board-restricted investments and assets whose use is limited approximates fair value due to the short-term nature of these instruments.

Equities and mutual funds are valued at fair value based on quoted market prices for identical securities in active markets that the Community has the ability to access at the measurement date.

U.S. government and agency obligations, corporate bonds and municipal bonds are valued at fair value based on quoted market prices for similar securities in active markets that the Community has the ability to access at the measurement date.

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

The carrying value of long-term debt approximates fair value based on current trade value, if available, or is estimated using discounted cash flow analyses, based on the Community's current incremental borrowing rates for similar types of borrowing arrangements.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Community believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment income on the board-restricted investments and assets whose use is limited consisted of the following for the year ended December 31, 2018:

	<u>2018</u>
Interest and dividends	\$ 299,492
Investment fees	(9,909)
Net realized gain on sale of investments	41,238
Net unrealized loss on investments	<u>(241,054)</u>
Total investment income	<u>\$ 89,767</u>

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 5 - Property and Equipment, Net

Property and equipment, net is as follows:

	2018
Land and land improvements	\$ 7,499,256
Building and building improvements	155,008,632
Furniture and fixtures	6,705,349
Equipment	<u>2,984,214</u>
Total	172,197,451
Less: Accumulated depreciation	(90,489,716)
Construction-in-progress	<u>523,118</u>
Property and equipment, net	<u>\$ 82,230,853</u>

Depreciation expense related to property and equipment was \$4,304,906 for the year ended December 31, 2018.

NOTE 6 - Bonds Payable

Long-term debt consists of the following at December 31, 2018:

	Series 2008 Bonds	Series 2017 Bonds	Total
Bonds payable	\$ 39,015,000	\$ 14,035,000	\$ 53,050,000
Less original issue discount	428,587	-	428,587
Less current maturities	565,000	155,000	720,000
Less debt issuance costs	<u>595,606</u>	<u>802,596</u>	<u>1,398,202</u>
Long-term debt, net	<u>\$ 37,425,807</u>	<u>\$ 13,077,404</u>	<u>\$ 50,503,211</u>

On October 1, 2008, the Community closed on Series 2008 Bonds issued by the Economic Development Corporation of the City of Dearborn in the amount of \$42,535,000. The 2008 Bonds are tax-exempt with a fixed interest rates varying between 6.0% and 7.15%, with a final maturity in November 2043. No letter of credit is required for the Series 2008 Bonds. The Series 2008 Bonds are secured by all property and gross receipts of the Community.

On September 27, 2017, the Community closed on Series 2017 Bonds issued by Economic Development Corporation of the City of Dearborn in the amount of \$14,185,000. The 2017 Bonds are tax-exempt with a fixed interest rate of 7.5%, with a final maturity in November 2044. No letter of credit is required for the Series 2017 Bonds. The Series 2017 Bonds are secured by all property and gross receipts of the Community.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 6 - Bonds Payable (cont.)

Scheduled principal repayments on long-term debt are as follows:

<u>Year Ending</u>	<u>Series 2008 Bonds</u>	<u>Series 2017 Bonds</u>	<u>Total</u>
2019	\$ 565,000	\$ 155,000	\$ 720,000
2020	605,000	170,000	775,000
2021	645,000	185,000	830,000
2022	690,000	195,000	885,000
2023	740,000	210,000	950,000
Thereafter	<u>35,770,000</u>	<u>13,120,000</u>	<u>48,890,000</u>
	<u>\$ 39,015,000</u>	<u>\$ 14,035,000</u>	<u>\$ 53,050,000</u>

NOTE 7 - Defined Contribution Plan

The Community maintains a defined contribution plan for the Community employees meeting certain eligibility requirements. Eligible employees may contribute up to 50% of their salary to a maximum contribution of \$18,000 on a pre-tax basis. Contribution expenses made by the Community were \$29,663 for the year ended December 31, 2018.

NOTE 8 - Related Party Transactions

The Community had amounts due to LCS of \$2,041,355 as of December 31, 2018. These amounts are recorded as accounts payable, related party in the accompanying balance sheet.

NOTE 9 - Management Agreement

On December 1, 2010, the Community contracted with LCS for management services. The LCS contract term was for five years and was extended until September 30, 2021. Management fees incurred under this contract were \$424,575 for the year ended December 31, 2018.

The executive director and administrator are employees of LCS, but their salaries and related employee benefits are reimbursed by the Community. Reimbursement paid to LCS for LCS employees in 2018 totaled \$670,880. These amounts are included in administrative related expenses in the statement of operations. Other corporate services that the Community may obtain are not required contractually and are on an as-needed basis.

NOTE 10 - Contingencies

Insurance Coverage

The Community maintains professional liability, health insurance and workers compensation insurance coverage through an independent insurance carrier. No claims in excess of insurance coverage exist. In addition, no claims in recent past years have been settled for amounts in excess of insurance coverage.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 10 - Contingencies (cont.)

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future effects of this matter on the Community, if any, are not presently determinable.

Litigation

The Community operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverage's, have a material adverse effect on the financial statements.

NOTE 11 - Net Assets with Donor Restrictions

Donor restricted net assets are available as of December 31, 2018 for the following purposes:

Staff appreciation fund	\$ 3,804
Benevolent care fund	242,894
Quality of resident life fund	352,753
Scholarship Endowment	405,000
Scholarship fund	<u>313,852</u>
Total net assets with donor restrictions	<u>\$ 1,318,303</u>

Net assets were released from restrictions, by incurring expenses satisfying the purpose or time restrictions specified by donors, as follows:

Staff appreciation fund	\$ 93,867
Benevolent care fund	824,995
Scholarship fund	<u>53,694</u>
Total net assets released from restrictions	<u>\$ 972,556</u>

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 12 - Concentration of Credit Risk

The Community grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicaid and Medicare.

The Community maintains cash accounts, which, at times, may exceed federally insured limits. The Community has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

NOTE 13 - Liquidity and Availability of Resources

The following table reflects the Community's financial assets available for general expenditure within one year at December 31, 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of: (a) assets whose use is limited by board designations, donor restrictions, regulatory bodies, and loan and other agreements; (b) assets held for others; and (c) permanent endowments and assets held in trusts for long-term investment.

Financial assets:

Cash and cash equivalents	\$ 1,376,375
Accounts receivable, net	3,693,827
Board-restricted investments	<u>2,019,901</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,090,103</u>
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NOTE 14 - New Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. During 2018, additional updates were issued which permit an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of Topic 842 and were not previously accounted for under ASC 840; address narrow aspects of the guidance originally issued; provide entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of net assets in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component; and address sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and non-lease components. For not-for-profit entities that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the counter market, ASU No. 2016-02 (as amended) is effective for annual periods beginning after December 15, 2018 (calendar 2019 fiscal year 2022). All other entities will be required to apply the standard for annual periods beginning after December 15, 2019 (calendar 2020 fiscal year 2021). Early adoption is permitted. The Community is currently assessing the effect that ASU No. 2016-02 will have on its financial statements.

HENRY FORD VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 14 - New Accounting Pronouncements (cont.)

In August 2016, FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 addresses eight cash flow issues with specific guidance on how certain cash receipts and cash payments should be presented on the statement of cash flows. ASU No. 2016-15 is effective for annual periods beginning after December 15, 2018 (calendar year 2019 fiscal year 2020) and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Community is currently assessing the effect that ASU No. 2016-15 will have on its financial statements.

In June 2018, the Financial Accounting Standards Board ("FASB") issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for contributions received during annual periods beginning after December 15, 2018 (calendar 2019 fiscal year 2020) and contributions made during annual periods beginning after December 15, 2019 (calendar 2020 fiscal year 2021). The Community is currently assessing the effect that ASU No. 2018-08 will have on its financial statements.

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, Fair Value Measurement. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. ASU No. 2018-13 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2019 (calendar year 2020 fiscal year 2021). Early adoption is permitted. The Community is currently assessing the effect that ASU No. 2018-13 will have on its financial statements.

Henry Ford Village, Inc.

Financial Statements

December 31, 2019 and 2018

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Henry Ford Village, Inc.

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December 31, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors of
Henry Ford Village, Inc.

We have audited the accompanying financial statements of Henry Ford Village, Inc. (the Community), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in net deficit, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the Community has determined, based on undiscounted cash flows, that the carrying value of the property and equipment may exceed its fair value. Management has elected not to determine the fair value of such assets as of December 31, 2019. In our opinion, accounting principles generally accepted in the United States of America require that property and equipment be evaluated for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss should be recognized equal to the amount by which the carrying value exceeds the fair value of the assets. The effects of the impairment loss on the financial statements have not been determined.

Qualified Opinion

In our opinion, except for the effect of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Community as of December 31, 2019 and 2018, and the results of its operations, changes in net deficit, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Community will continue as a going concern. As discussed in Note 1 to the financial statements, the Community has a significant deficit and has been unable to meet their debt requirements subsequent to December 31, 2019. Accordingly, the Community has stated that substantial doubt exists about their ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding this matter are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Southfield, Michigan
TBD

Henry Ford Village, Inc.

Balance Sheets

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,553,429	\$ 1,376,375
Current portion of assets whose use is limited	897,499	863,361
Accounts receivable, net	4,476,059	3,693,827
Inventories	176,896	167,976
Prepaid expenses and other current assets	811,945	426,923
Total current assets	<u>7,915,828</u>	<u>6,528,462</u>
Assets Whose Use Is Limited, net of current portion	5,697,322	9,607,301
Board - Restricted Investments	2,373,509	2,019,901
Property and Equipment, Net	<u>81,341,322</u>	<u>82,230,853</u>
Total assets	<u>\$ 97,327,981</u>	<u>\$ 100,386,517</u>
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 6,666,789	\$ 6,252,607
Accounts payable, related party	2,765,136	2,041,355
Resident refunds payable	5,752,759	6,187,965
Funds held for residents	116,897	139,714
Bonds payable, current portion	775,000	720,000
Charitable gift annuity, current portion	5,602	8,452
Total current liabilities	<u>16,082,183</u>	<u>15,350,093</u>
Long-term Liabilities		
Advance deposits	882,781	787,026
Refundable entrance fees and deposits	93,626,090	98,765,882
Deferred revenue from nonrefundable entrance fees	11,735,322	9,628,891
Bonds payable, net of current portion	49,810,746	50,503,211
Charitable gift annuity, net of current portion	28,393	32,909
Total long-term liabilities	<u>156,083,332</u>	<u>159,717,919</u>
Total liabilities	<u>172,165,515</u>	<u>175,068,012</u>
Net Assets (Deficit)		
Without donor restrictions	(75,637,090)	(75,999,798)
With donor restrictions	799,556	1,318,303
Total net deficit	<u>(74,837,534)</u>	<u>(74,681,495)</u>
Total liabilities and net assets (deficit)	<u>\$ 97,327,981</u>	<u>\$ 100,386,517</u>

See notes to financial statements

Henry Ford Village, Inc.

Statements of Operations

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues Without Donor Restrictions		
Net resident service revenues	\$ 37,421,025	\$ 37,314,102
Other revenue	1,509,612	716,267
Investment income	609,813	89,767
Net assets released from restrictions	<u>1,060,947</u>	<u>972,556</u>
Total revenues without donor restrictions	<u>40,601,397</u>	<u>39,092,692</u>
Expenses		
Salaries and wages and benefits	16,120,506	14,885,164
Dietary and related supplies	3,664,573	3,592,468
Supplies	824,517	850,944
Utilities	1,774,985	1,903,502
Building grounds and maintenance	2,314,961	2,140,976
Marketing expenses	1,243,755	1,077,205
Management expenses	401,945	424,575
Professional and contracted services	2,594,083	3,166,661
Administrative	572,494	755,398
Real estate taxes	872,624	882,777
Insurance	496,397	460,836
Resident relations	137,491	165,405
Other	178,449	435,064
Depreciation	4,654,238	4,304,906
Interest	3,954,386	4,060,116
Bad debts	<u>433,285</u>	<u>930,904</u>
Total expenses	<u>40,238,689</u>	<u>40,036,901</u>
Revenues in excess of (less than) expenses	<u>\$ 362,708</u>	<u>(944,209)</u>

See notes to financial statements

Henry Ford Village, Inc.

Statements of Changes in Net Deficit
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Deficit without Donor Restrictions		
Revenues less than expenses	\$ 362,708	\$ (944,209)
Reclassification of net assets	<u>-</u>	<u>(405,000)</u>
Decrease (increase) in net deficit without donor restrictions	<u>362,708</u>	<u>(1,349,209)</u>
Net Assets with Donor Restrictions		
Contributions and income earned	542,200	993,397
Net assets transfer due to donor restriction	-	405,000
Net assets released from restrictions	<u>(1,060,947)</u>	<u>(972,556)</u>
(Decrease) increase in net assets with donor restrictions	<u>(518,747)</u>	<u>425,841</u>
Decrease (increase) in net deficit	(156,039)	(923,368)
Net Deficit, Beginning	<u>(74,681,495)</u>	<u>(73,758,127)</u>
Net Deficit, Ending	<u><u>\$ (74,837,534)</u></u>	<u><u>\$ (74,681,495)</u></u>

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See notes to financial statements

Henry Ford Village, Inc.

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	(As adjusted) 2018
Cash Flow from Operating Activities		
Increase in net deficit	\$ (156,039)	\$ (923,368)
Adjustments to reconcile decrease (increase) in net deficit to net cash flows from operating activities:		
Depreciation	4,654,238	4,304,906
Amortization of debt issuance costs	62,823	67,871
Amortization of bond discount	19,712	25,252
Provision for bad debt expense	433,285	930,904
Proceeds from nonrefundable entrance fees	4,063,508	4,055,177
Entrance fee contributions	(496,759)	-
Revenue earned from reduced entrance fees and deposit refunds	(206,226)	(492,500)
Net realized and unrealized (gain) loss on investments	(428,017)	199,816
Amortization of residents' entrance fees	(1,075,995)	(1,507,439)
Change in value of charitable gift annuity	(7,366)	(89,011)
Changes in assets and liabilities:		
Accounts receivable	(1,215,517)	(1,277,098)
Inventories	(8,920)	(12,632)
Prepaid expenses and other current assets	(385,022)	48,978
Accounts payable, related party	723,781	46,050
Accounts payable and accrued expenses	414,182	791,094
Net cash flows from operating activities	6,391,668	6,168,000
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,764,707)	(6,295,076)
Net sales of assets whose use is limited and board-restricted investments	3,897,490	6,175,468
Net cash flows from investing activities	132,783	(119,608)
Cash Flows from Financing Activities		
Increase (decrease) in advance deposits	95,755	(2,864)
Proceeds from refundable entrance fees and deposits	5,438,720	7,887,584
Refunds of entrance fees and deposits	(10,601,920)	(11,035,086)
Decrease in resident spend-down account	(404,926)	(1,138,254)
Increase (decrease) in resident refunds payable	(184,969)	(119,857)
Principal payments on bonds payable	(720,000)	(680,000)
Net cash flows from financing activities	(6,377,340)	(5,088,477)
Net change in cash and cash equivalents and restricted cash	147,111	959,915
Cash and Cash Equivalents and Restricted Cash, Beginning	2,001,383	1,041,468
Cash and Cash Equivalents and Restricted Cash, Ending	\$ 2,148,494	\$ 2,001,383

See notes to financial statements

Henry Ford Village, Inc.

Statement of Cash Flows

Years Ended December 31, 2019 and 2018

Reconciliation of Cash and Cash Equivalents and Restricted Cash to the Balance Sheets:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,553,429	\$ 1,376,375
Assets whose use is limited	<u>595,065</u>	<u>625,008</u>
Total Cash and Restricted Cash	<u><u>\$ 2,148,494</u></u>	<u><u>\$ 2,001,383</u></u>

Supplemental Cash Flow Disclosures

Cash paid for interest	<u>\$ 3,891,563</u>	<u>\$ 3,930,087</u>
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Noncash Investing and Financing Activities

Accounts payable incurred for construction in process	<u>\$ 201,059</u>	<u>\$ 430,363</u>
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Henry Ford Village, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019

	Skilled Nursing	Assisted Living	Resident Services	Food Services	Plant Operations	Environmental Services	Total Program	General and Administrative	2019 Total
Salaries and wages and benefits	\$5,162,052	\$2,036,552	\$ 376,005	\$3,531,892	\$2,149,981	\$ 17,808	\$ 13,274,290	\$ 2,846,216	\$ 16,120,506
Dietary and related supplies	1,411,418	-	-	2,253,155	-	-	3,664,573	-	3,664,573
Supplies	52,353	61,226	13,003	450,459	209,018	-	786,059	38,458	824,517
Utilities	29,702	104,997	5,380	11,448	1,600,402	15,370	1,767,299	7,686	1,774,985
Building grounds and maintenance	13,254	3,546	5,498	96,586	1,115,869	918,859	2,153,612	161,349	2,314,961
Marketing expenses	-	-	-	-	-	-	-	1,243,755	1,243,755
Management expenses	-	-	-	-	-	-	-	401,945	401,945
Professional and contracted services	1,922,158	9,035	6,418	9,269	57,932	-	2,004,812	589,271	2,594,083
Administrative	21,397	8,992	2,158	24,840	10,804	-	68,191	504,303	572,494
Real estate taxes	-	-	-	-	-	-	-	872,624	872,624
Insurance	-	-	-	-	-	-	-	496,397	496,397
Resident relations	11,108	12,766	79,260	13,630	-	-	116,764	20,727	137,491
Other	-	-	-	1,896	60,536	-	62,432	116,017	178,449
Depreciation	77,882	275,316	14,108	30,019	4,196,458	40,302	4,634,085	20,153	4,654,238
Interest	-	-	-	-	-	-	-	3,954,386	3,954,386
Bad debts	368,292	21,664	-	-	-	-	389,956	43,329	433,285
Total expenses	\$9,069,616	\$2,534,094	\$ 501,830	\$6,423,194	\$9,401,000	\$ 992,339	\$ 28,922,073	\$ 11,316,616	\$ 40,238,689

See notes to financial statements

Henry Ford Village, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018

	Skilled Nursing	Assisted Living	Resident Services	Food Services	Plant Operations	Environmental Services	Total Program	General and Administrative	2018 Total
Salaries and wages and benefits	\$4,765,860	\$ 1,905,012	\$326,574	\$ 3,217,575	\$1,995,597	\$ 16,324	\$ 12,226,942	\$ 2,658,222	\$ 14,885,164
Dietary and related supplies	1,459,123	-	-	2,144,272	-	-	3,603,395	(10,927)	3,592,468
Supplies	70,191	55,753	10,455	430,397	254,159	-	820,955	29,989	850,944
Utilities	31,852	112,599	5,770	12,277	1,716,279	16,483	1,895,260	8,242	1,903,502
Building grounds and maintenance	12,869	2,864	4,520	102,721	937,744	929,852	1,990,570	150,406	2,140,976
Marketing expenses	-	-	-	-	7,072	-	7,072	1,070,133	1,077,205
Management expenses	-	-	-	-	-	-	-	424,575	424,575
Professional and contracted services	2,115,456	8,545	20,468	6,034	28,553	-	2,179,056	987,605	3,166,661
Administrative	24,355	6,128	7,163	22,818	23,931	-	84,395	671,003	755,398
Real estate taxes	-	-	-	-	-	-	-	882,777	882,777
Insurance	-	-	-	-	-	-	-	460,836	460,836
Resident relations	10,823	12,597	58,875	15,666	-	1,825	99,786	65,619	165,405
Other	-	-	-	(11,745)	81,715	-	69,970	365,094	435,064
Depreciation	72,036	254,651	13,050	27,766	3,881,486	37,277	4,286,266	18,640	4,304,906
Interest	-	-	-	-	-	-	-	4,060,116	4,060,116
Bad debts	791,269	46,545	-	-	-	-	837,814	93,090	930,904
Total expenses	\$9,353,834	\$ 2,404,694	\$446,875	\$ 5,967,781	\$8,926,536	\$ 1,001,761	\$ 28,101,481	\$ 11,935,420	\$ 40,036,901

1. Nature of Operations

Henry Ford Village, Inc. (the Community) is a Michigan non-stock corporation established to operate a not-for-profit continuing care retirement community located in Dearborn, Michigan. The property is presently zoned for 852 independent living units, 96 assisted living units and 89 skilled nursing beds. As of December 31, 2019, there were 789 occupied units, which consisted of 627 independent living units, 94 assisted living units, and 68 skilled nursing beds. As of December 31, 2018, there were 783 occupied units, which consisted of 618 independent living units, 94 assisted living units, and 71 skilled nursing beds. The Community is governed by an independent Board of Directors and is advised by a Resident Council elected by the residents of the Community.

The Community entered into a management agreement in December 2010 with Life Care Services, LLC (LCS), a for-profit Iowa limited liability company which operates and manages a variety of continuing care retirement communities nationwide.

Subsequent Events

The Community has evaluated events through TBD, which is the date the financial statements were approved to be issued.

In the first several months of 2020, the COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The Community's evaluation of the effects of these events is ongoing as of the date the accompanying financial statements were issued. The COVID-19 pandemic may impact various parts of the Community's 2020 operations and financial performance including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, closure of certain facilities or service lines, sales of independent living units or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

In April 2020, the Community was approved for a \$2,283,660 Paycheck Protection Program (PPP) loan administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Loan payments will be deferred for 6 months. The loan will bear interest at 1% per annum and will have a two year maturity. If certain requirements are met, mainly to use the funds primarily for payroll costs, the loan amount, or a portion thereof, may be forgiven in 2020.

Impairment of Property and Equipment

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. Fair value is determined based on quoted market values, discounted cash flows or internal or external appraisals as applicable. The Community has determined, based on undiscounted cash flows, that the carrying value of the property and equipment may not be recoverable and may exceed its fair value. Due to the uncertainties in the current economic environment, management has determined that it is impractical to determine the fair value of the property and equipment as of December 31, 2019. The effects of the impairment on the loss on the financial statements have not been determined.

Going Concern Uncertainties

The accompanying financial statements have been prepared assuming that the Community will continue as a going concern. As shown in the financial statements, although the Community has ended the 2019 fiscal year with revenues in excess of expenses of \$362,708 and with an overall decrease in net deficit of \$156,039, there remains a working capital deficit of \$(8,166,355) and an overall deficit in net assets of \$(74.8 million). Also, the Community stopped monthly principal and interest payments on its bond obligations in April 2020, thus having the debt service reserve fund utilized for those payments. The Community is working with its bondholders on a solution and anticipates this to be resolved by the end of 2020. Until resolved, absent a waiver or debt modification, the bonds are callable. Additionally, effective June, 2020, the Community is required to deposit new entrance fees received into an escrow account with the State of Michigan, as required by a State mandate. The COVID-19 pandemic is causing lower occupancy and slower resales of units, which is reducing cash inflows, and when coupled with refunds of entrance fees trending higher than proceeds from entrance fees in 2019, causes additional strains on working capital. All of these factors raise substantial doubt about the ability of the Community to continue as a going concern within one year after the issuance of these financial statements.

Management believes a full recovery from the COVID-19 pandemic will not occur until the second quarter of 2021 and has adjusted its strategy based on that assumption. This strategy is focused on increasing occupancy in the Health & Rehabilitation Center as well as Assisted Living post-pandemic as those areas have the greatest impact on revenue. The independent living strategy is in place to exceed historical sales numbers, however management believes the normal sales activity will not be realized until April of 2021 at the earliest unless a vaccine for the virus has been made available. This, combined with high anticipated attrition in 2020 from the pandemic lowers revenue projections to a point where servicing debt payments is not viable without utilizing its limited reserves.

It is management's intent to continue to work with its current bond holders in order to mitigate the risk of non-compliance with debt covenants and any implications related to the long-term debt due and payable. Management also is working on reducing its operating costs.

Management believes that these actions will enable the Community to continue as a going concern through one year from the date these financial statements are issued. Because it is not possible at this time to predict the outcome of management's efforts, substantial doubt remains regarding the ability of the Community to continue as a going concern during the ensuing year.

2. Summary of Significant Accounting Policies**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For the purposes of the statements of cash flows, cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding board-restricted investments.

Restricted Cash

The Community received cash with contract-imposed restrictions which is held by the Community and is part of net assets with donor restrictions. Restricted cash is \$595,065 and \$625,008 at December 31, 2019 and 2018, respectively.

Accounts Receivable

The Community assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Community has exhausted all collection efforts and accounts are deemed impaired. Accounts receivable, residents are reported at net realizable value. The allowance for doubtful collections was \$771,740 and \$659,860 at December 31, 2019 and 2018, respectively.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. The fair value of substantially all securities is determined by quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of (less than) expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Community's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the balance sheets could change materially in the near term.

Assets Whose Use Is Limited

Assets whose use is limited includes assets set aside for amounts held by a bond trustee under trust indentures, escrow funds held in connection with resident deposits, amounts restricted by donors, and funds held for residents. Amounts available to meet current liabilities have been classified as current assets in the balance sheets.

Property and Equipment

Property and equipment acquisitions are recorded at cost. All acquisitions of property and equipment in excess of \$2,500 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets as follows:

	Years
Land improvements	15
Building and building improvements	7 - 40
Furniture and fixtures	7
Equipment	3 - 5

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the net assets exceeds the fair value of the assets. To date, there have been no such losses.

Debt Issuance Costs

The Community presents debt issuance costs as a direct reduction of its long-term debt. Debt issuance costs represent costs incurred in connection with the issuance of long-term debt, and are being amortized over the life of the debt using the bonds outstanding method, which approximates the effective interest method. Amortization expense, included as a component of interest expense, was \$62,823 and \$67,871 for the years ended December 31, 2019 and 2018, respectively.

Original Issue Discount

The original issue discount is being amortized using the straight-line method, which approximates the effective interest method, over the term of the related debt. Amortization, included as a component of interest expense, of the original issue discount was \$19,712 and \$25,252 for the years ended December 31, 2019 and 2018, respectively.

Entrance Fees

Under entrance fee plans for residences, the Community receives payments in advance. Residents currently have two entrance plan options to choose from. One refundable contract has a guaranteed refund component, which is 75% of the entrance fee paid. Under this plan, refunds are generally equal to 75% of the entrance fee paid. The Community also offers a declining balance contract. Under this contract, the refundable portion is calculated by taking the applicable entrance fee less 1.5% of the total entrance fee for each month or proportionate amount for a partial month of occupancy, less the actual cost of refurbishing the residence.

Refunds to residents are typically payable 30 days after their former independent or assisted living unit has been reoccupied. However, if a resident is permanently transferred to assisted living or skilled nursing care, no refund of any portion of the entrance fee is made until the resident permanently leaves the community. Entrance fees for those residents transferred to skilled nursing are refundable upon the payment of all outstanding obligations of the resident. Contractual refund obligations under residency agreements for the current entrance plan options were \$29,132,756 and \$24,084,900 at December 31, 2019 and 2018, respectively. Management estimates the amount of refundable entrance fees to be paid the following year from sources other than proceeds from entrance fees to residents who terminate their residency agreement the following year. This amount was \$5,752,759 and \$6,187,965 at December 31, 2019 and 2018, respectively, and is classified as a current liability in the balance sheets.

The guaranteed refundable component of advance fees received under the refundable plans is not amortized to income. These fees are classified as refundable entrance fees and deposits in the balance sheets. The nonrefundable balance of entrance fees is amortized to income using the straight-line method over the estimated remaining residents' stay in independent living, which are adjusted annually. These unamortized entrance fees are classified as deferred revenue from nonrefundable entrance fees in the balance sheets. Amortization of nonrefundable entrance fees recognized as revenue was \$1,075,995 and \$1,507,439 for the years ended December 31, 2019 and 2018, respectively.

Prior to January 1, 2015, the Community offered a refundable contract under which 100% of the entrance fee paid was refundable. The guaranteed refund component of entrance fees received under this plan is not amortized to income and is classified with refundable entrance fees and deposits in the balance sheet. At December 31, 2019 and 2018, contractual refund obligations under this plan were approximately \$68,070,000 and \$77,533,000, respectively.

The Community also received deposits from prospective residents of \$882,781 and \$787,026 through December 31, 2019 and 2018, respectively. These amounts are recorded in advance deposits in the balance sheets.

Resident entrance fees and deposits may be used to satisfy monthly fees if no other resident funds are available.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Community are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Community pursuant to those stipulations, or are required to be maintained permanently by the Community. Donor restricted net assets were \$799,556 and \$1,318,303 as of December 31, 2019 and 2018, respectively. These net assets are available for the following purposes:

- > **Staff Appreciation Fund:** The Community does not permit residents to confer gratuities to individual employees. As a way for residents to show their appreciation to employees, the Community holds a fundraising drive each fall for residents to contribute to a staff appreciation fund. Those funds are distributed to employees who meet certain criteria for length of service.
- > **Benevolent Care Fund:** Under certain circumstances, residents who exhaust their assets and cannot cover their costs of residency and necessary services from the Community can be granted relief from this restricted fund. The Community performs fundraising efforts and uses such contributions to offset the costs of benevolent care efforts.
- > **Quality of Resident Life Fund:** Occasionally, needs for amenities generate attention among the resident population such that funds are raised for specific projects related to campus beautification.
- > **Scholarship Fund:** The Community conducts an annual campaign specifically to fund scholarship awards for employees pursuing college education.
- > **Scholarship Endowment:** The Community has a number of endowed scholarship funds specified by donors for specific educational tracts. Annually, the scholarship committee

selects the winners to receive that years' distribution of the endowed scholarships.

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Community expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Net resident service revenues are primarily comprised of the following revenue streams:

- > **Skilled nursing:** Skilled nursing revenues are primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. The Community has determined that skilled nursing services are considered one performance obligation which is satisfied over time as services are provided. Therefore, skilled nursing revenues are recognized on a daily basis as services are rendered.
- > **Assisted Living:** Assisted living revenues are primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Community has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, assisted living revenues are recognized on a month-to-month basis.
- > **Independent living:** Independent living revenues are primarily derived from: (a) providing housing and services to residents; and (b) the nonrefundable portion of entrance fee contracts entered into with residents. Independent living monthly fees are recognized on a month-to-month basis. The Community has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided.

Independent living revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over the annually adjusted estimated remaining expected stay in independent living for the residents. The unamortized portion is classified as deferred revenue from nonrefundable entrance fees in the balance sheets. Amortization of nonrefundable entrance fees included in independent living revenues was \$1,075,995 and \$1,507,439 in 2019 and 2018, respectively.

- > **Ancillary Services:** Ancillary service revenues are derived from services provided primarily to skilled nursing residents for pharmacy, physical therapy, occupational therapy, speech therapy and other healthcare related services at a stated fee, net of any contractual adjustments from third-party payors. Each service provided is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied and recognized as services are provided. The Community is reimbursed for certain therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

The Community receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors (Note 3). Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Community estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

Donor Restricted Gifts

The Community reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions.

Income Taxes

The Community is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

Payment In Lieu of Taxes (PILOT)

Given that the Community claims exemption under the General Property Tax Act and is treated as exempt from property taxation, but benefits from city services for availability of police, fire and other public services, the Community entered into a 40-year agreement with the City of Dearborn for Payment In Lieu of Taxes (PILOT) effective June 30, 2010. The City has the right to renew the agreement for an additional 40 years. The agreement encompasses all tax-exempt personal and real property located at 15101 Ford Road, Dearborn, Michigan 48126 and is conditioned on the Community maintaining its non-profit tax-exempt status under applicable laws.

The PILOT agreement requires one payment to be made annually on July 1 of each year. Under the agreement, each year the payment will increase by the lesser of a change in the Consumer Price Index for the United States, as reported by the Michigan Department of Treasury, or five percent. After each 10-year period under the agreement, both parties have agreed to review the payment calculation methodology to ensure that increases provided for in the agreement are consistent with real property valuation increases in the general population within the city of Dearborn. The amount of the PILOT invoiced on July 1, 2019 and 2018 was approximately \$582,000 and \$564,000, respectively.

Functional Expense Allocation

The financial statements report certain categories of expenses that are related to more than one program or supporting function. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage or units of service basis, as well as salaries and wages, employee benefits, payroll taxes, professional fees, advertising, travel, and other, which are allocated based on estimated time and effort.

Measure of Operations

The statements of operations includes the determination of revenues in excess of (less than) expenses. Revenues in excess of (less than) expenses includes all operating revenues and expenses that are an integral part of its program activities, as well as investment income, contributions and other nonoperating activities that are used to support its program activities. Changes in net assets without donor restrictions, which are excluded from the determination of revenues in excess of (less than) expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), reclassification of net assets, and transfers of net assets to related parties.

Adoption of Financial Accounting Standards Board's Accounting Standards Update

During 2019, the Community retrospectively adopted the FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in total of cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

The following line items on the statement of cash flows for the year ended December 31, 2018 were affected by this change in accounting principle:

	As Previously Reported	As Reported Under ASU No. 2016-18
Net purchases of investments and assets whose use is limited	\$ 6,161,530	\$ 6,175,468
Net cash used in investing activities	(133,546)	(119,608)
Net change in cash and cash equivalents and restricted cash	-	959,915
Cash and cash equivalents and restricted cash, beginning	-	1,041,468
Cash and cash equivalents and restricted cash, ending	-	2,001,383
Net change in cash and cash equivalents	945,977	-
Cash and cash equivalents, beginning	430,398	-
Cash and cash equivalents, ending	1,376,375	-

Henry Ford Village, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

3. Net Resident Service Revenues

The Community disaggregate's revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Net resident service revenues consist of the following for the years ended December 31, 2019 and 2018:

	2019					
	Self Pay	Medicare	Medicaid	Commercial	Amortization	Total
Nursing						
Skilled Nursing	\$ 2,099,209	\$4,841,460	\$ 740,749	\$ 596,457	\$ -	\$ 8,277,875
Therapy	21,963	-	-	2,817,705	-	2,839,668
Ancillary	830,661	-	-	-	-	830,661
Total	2,951,833	4,841,460	740,749	3,414,162	-	11,948,204
Assisted Living						
Monthly Fees	6,322,410	-	-	-	-	6,322,410
Ancillary	102,689	-	-	-	-	102,689
Total	6,425,099	-	-	-	-	6,425,099
Independent Living						
Monthly Fees	16,908,867	-	-	-	-	16,908,867
Amortization	-	-	-	-	1,075,995	1,075,995
Ancillary	987,705	-	-	-	-	987,705
Total	17,896,572	-	-	-	1,075,995	18,972,567
Clinic revenues	75,155	-	-	-	-	75,155
Total	75,155	-	-	-	-	75,155
Total	<u>\$ 27,348,659</u>	<u>\$4,841,460</u>	<u>\$ 740,749</u>	<u>\$ 3,414,162</u>	<u>\$ 1,075,995</u>	<u>\$37,421,025</u>

Henry Ford Village, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

		2018					
		Self Pay	Medicare	Medicaid	Commercial	Amortization	Total
Nursing							
Skilled Nursing	\$	1,653,952	\$5,077,733	\$ 920,311	\$ 693,313	\$ -	\$ 8,345,309
Therapy		42,075	-	-	2,904,009	-	2,946,084
Ancillary		744,175	-	-	-	-	744,175
Total		2,440,202	5,077,733	920,311	3,597,322	-	12,035,568
Assisted Living							
Monthly Fees		5,976,912	-	-	-	-	5,976,912
Ancillary		128,707	-	-	-	-	128,707
Total		6,105,619	-	-	-	-	6,105,619
Independent Living							
Monthly Fees		16,586,379	-	-	-	-	16,586,379
Amortization		-	-	-	-	1,507,439	1,507,439
Ancillary		989,097	-	-	-	-	989,097
Total		17,575,476	-	-	-	1,507,439	19,082,915
Clinic revenues		90,000	-	-	-	-	90,000
Total		90,000	-	-	-	-	90,000
Total	\$	26,211,297	\$5,077,733	\$ 920,311	\$ 3,597,322	\$ 1,507,439	\$37,314,102

Payment terms and conditions for the Community's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services are generally billed each month as services are rendered. Net resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from nonrefundable entrance fees until the performance obligations are satisfied and are included in deferred revenues from nonrefundable entrance fees in the accompanying balance sheet. The Community recognized \$1,068,884 and \$1,390,939 in 2019 and 2018, of revenue that was included in the deferred revenue from entrance fees balance as of January 1, 2019 and 2018. The Community applies the practical expedient in Accounting Standards Codification (ASC) 606 and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

The Community has agreements with third-party payors that provide for payments to the Community at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

- > **Medicaid:** Nursing services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology, plus a Quality Assurance Supplement ("QAS"). The methodology is subject to various limitations and adjustments. The Community is reimbursed for cost reimbursable expenditures plus a QAS at tentative interim rates, with final settlement determined after submission of annual cost reports and audits thereof by the Michigan Department of Community Health's Long-Term Care Reimbursement and Rate Setting Section. The Community's Medicaid cost reports have been final settled through 2011.
- > **Medicare:** Nursing and ancillary services rendered to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The Community is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

As described above, the Medicaid and Medicare rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Community's clinical assessment of its residents. The Community is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment.

The Community also entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to the Community under these agreements includes prospectively determined rates per day and discounts from established charges.

4. Assets Whose Use Is Limited and Board-Restricted Investments

Assets whose use is limited are held in connection with the following:

	2019	2018
Held by bond trustee - debt service reserve fund	\$ 4,556,477	\$ 4,619,459
Held by bond trustee - debt service fund	392,015	378,553
Held by bond trustee - capital expenditures fund	381,085	4,159,518
Advance deposits by prospective residents	595,065	625,008
Funds held for resident activities	136,206	161,160
Endowed scholarship fund	418,585	405,031
Memorial funds	115,388	77,801
Gift annuity	-	44,132
	<hr/>	<hr/>
Total assets whose use is limited	6,594,821	10,470,662
	<hr/>	<hr/>
Less funds available to meet current liabilities	897,499	863,361
	<hr/>	<hr/>
Noncurrent portion of assets whose use is limited	<u>\$ 5,697,322</u>	<u>\$ 9,607,301</u>

Henry Ford Village, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

The Community measures its investments and assets whose use is limited at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. The Community's investments and assets whose use is limited consist of the following:

	2019	2018
Current portion of assets whose use is limited	\$ 897,499	\$ 863,361
Noncurrent portion of assets whose use is limited	5,697,322	9,607,301
Board-restricted investments	2,373,509	2,019,901
Total investments and assets whose use is limited	<u>\$ 8,968,330</u>	<u>\$ 12,490,563</u>

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Community for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The financial instruments listed below were measured using the following inputs at December 31, 2019 and 2018:

	2019			
	Carrying Value	Fair Value	Level 1	Level 2
Reported at Fair Value				
Board restricted investments and assets whose use is limited:				
Cash and cash equivalents	\$ 2,496,708	\$ 2,496,708	\$ 2,496,708	\$ -
U.S. government and agency obligations	4,527,808	4,527,808	-	4,527,808
Corporate bonds	351,704	351,704	-	351,704
Equities	1,144,715	1,144,715	1,144,715	-
Mutual funds	447,395	447,395	447,395	-
Total	<u>\$ 8,968,330</u>	<u>\$ 8,968,330</u>	<u>\$ 4,088,818</u>	<u>\$ 4,879,512</u>

Henry Ford Village, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

	2018			
	Carrying Value	Fair Value	Level 1	Level 2
Reported at Fair Value				
Board restricted investments and assets whose use is limited:				
Cash and cash equivalents	\$ 6,111,969	\$ 6,111,969	\$ 6,111,969	\$ -
U.S. government and agency obligations	3,001,449	3,001,449	-	3,001,449
Corporate bonds	2,021,880	2,021,880	-	2,021,880
Municipal bonds	49,778	49,778	-	49,778
Equities	883,835	883,835	883,835	-
Mutual funds	421,652	421,652	421,652	-
Total	<u>\$ 12,490,563</u>	<u>\$ 12,490,563</u>	<u>\$ 7,417,456</u>	<u>\$ 5,073,107</u>

There were no Level 3 investments as of December 31, 2019 and 2018.

The following is a description of the valuation methodologies used for assets reported at fair value. There have been no changes in methodologies used at December 31, 2019.

The carrying amounts of cash and cash equivalents included in board-restricted investments and assets whose use is limited approximates fair value due to the short-term nature of these instruments.

Equities and mutual funds are valued at fair value based on quoted market prices for identical securities in active markets that the Community has the ability to access at the measurement date.

U.S. government and agency obligations, corporate bonds and municipal bonds are valued at fair value based on quoted market prices for similar securities in active markets that the Community has the ability to access at the measurement date.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Community believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment income on the board-restricted investments and assets whose use is limited consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 229,230	\$ 299,492
Investment fees	(47,433)	(9,909)
Net realized gain on sale of investments	49,296	41,238
Net unrealized gain (loss) on investments	378,720	(241,054)
Total investment income	<u>\$ 609,813</u>	<u>\$ 89,767</u>

Henry Ford Village, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Property and Equipment, Net

Property and equipment, net is as follows:

	2019	2018
Land and land improvements	\$ 9,034,100	\$ 7,499,256
Building and building improvements	156,663,069	155,008,632
Furniture and fixtures	6,721,813	6,705,349
Equipment	3,348,040	2,984,214
Total	175,767,022	172,197,451
Less accumulated depreciation	(94,896,325)	(90,489,716)
Construction-in-progress	470,625	523,118
Property and equipment, net	<u>\$ 81,341,322</u>	<u>\$ 82,230,853</u>

Depreciation expense related to property and equipment was \$4,654,238 and \$4,304,906 for the years ended December 31, 2019 and 2018, respectively.

6. Bonds Payable

Long-term debt consists of the following at December 31, 2019 and 2018:

	2019		
	Series 2008 Bonds	Series 2017 Bonds	Total
Bonds payable	\$ 38,450,000	\$ 13,880,000	\$ 52,330,000
Less original issue discount	408,875	-	408,875
Less current portion	605,000	170,000	775,000
Less debt issuance costs	563,801	771,578	1,335,379
Long-term debt, net	<u>\$ 36,872,324</u>	<u>\$ 12,938,422</u>	<u>\$ 49,810,746</u>

	2018		
	Series 2008 Bonds	Series 2017 Bonds	Total
Bonds payable	\$ 39,015,000	\$ 14,035,000	\$ 53,050,000
Less original issue discount	428,587	-	428,587
Less current portion	565,000	155,000	720,000
Less debt issuance costs	595,606	802,596	1,398,202
Long-term debt, net	<u>\$ 37,425,807</u>	<u>\$ 13,077,404</u>	<u>\$ 50,503,211</u>

Henry Ford Village, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

On October 1, 2008, the Community closed on Series 2008 Bonds issued by the Economic Development Corporation of the City of Dearborn in the amount of \$42,535,000. The 2008 Bonds are tax-exempt with a fixed interest rates varying between 6.0 percent and 7.15 percent, with a final maturity in November 2043. No letter of credit is required for the Series 2008 Bonds. The Series 2008 Bonds are secured by all property and gross receipts of the Community.

On September 27, 2017, the Community closed on Series 2017 Bonds issued by Economic Development Corporation of the City of Dearborn in the amount of \$14,185,000. The 2017 Bonds are tax-exempt with a fixed interest rate of 7.5 percent, with a final maturity in November 2044. No letter of credit is required for the Series 2017 Bonds. The Series 2017 Bonds are secured by all property and gross receipts of the Community.

Scheduled principal repayments on long-term debt are as follows:

Year Ending:	Series 2008 Bonds	Series 2017 Bonds	Total
2020	\$ 605,000	\$ 170,000	\$ 775,000
2021	645,000	185,000	830,000
2022	690,000	195,000	885,000
2023	740,000	210,000	950,000
2024	790,000	225,000	1,015,000
Thereafter	34,980,000	12,895,000	47,875,000
	<u>\$ 38,450,000</u>	<u>\$ 13,880,000</u>	<u>\$ 52,330,000</u>

7. Defined Contribution Plan

The Community maintains a defined contribution plan for Community employees meeting certain eligibility requirements. Eligible employees may contribute up to 50 percent of their salary to a maximum contribution of \$18,000 on a pre-tax basis. Contributions made by the Community were \$28,840 and \$29,663 for the years ended December 31, 2019 and 2018, respectively.

8. Related Party Transactions

The Community had amounts due to LCS of \$2,765,136 and \$2,041,355 as of December 31, 2019 and 2018, respectively. These amounts are recorded as accounts payable, related party in the accompanying balance sheets.

9. Management Agreement

On December 1, 2010, the Community contracted with LCS for management services. The LCS contract term was for five years and was extended until September 30, 2021. Management fees incurred under this contract were \$401,945 and \$424,575 for the years ended December 31, 2019 and 2018, respectively.

The executive director and administrator are employees of LCS, but their salaries and related employee benefits are reimbursed by the Community. Reimbursement paid to LCS for LCS employees in 2019 and 2018 totaled \$575,668 and \$670,880, respectively. These amounts are included in administrative expenses in the statements of operations. Other corporate services that the Community may obtain are not required contractually and are on an as-needed basis.

10. Contingencies**Insurance Coverage**

The Community maintains professional liability, health insurance and workers compensation insurance coverage through an independent insurance carrier. No claims in excess of insurance coverage exist. In addition, no claims in recent past years have been settled for amounts in excess of insurance coverage.

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future effects of this matter on the Community, if any, are not presently determinable.

Litigation

The Community operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverage's, have a material adverse effect on the financial statements.

11. Net Assets with Donor Restrictions

Donor restricted net assets are available as of December 31, 2019 and 2018 for the following purposes:

	2019	2018
Staff appreciation fund	\$ -	3,804
Benevolent care fund	-	242,894
Quality of resident life fund	65,173	352,753
Scholarship Endowment	405,000	405,000
Scholarship fund	329,383	313,852
Total net assets with donor restrictions	<u>\$ 799,556</u>	<u>\$ 1,318,303</u>

Net assets were released from restrictions, by incurring expenses satisfying the purpose or time restrictions specified by donors, as follows:

	2019	2018
Staff appreciation fund	\$ 114,242	93,867
Benevolent care fund	552,803	824,995
Quality of resident life fund	341,983	-
Scholarship fund	51,919	53,694
Total net assets released from restrictions	<u>\$ 1,060,947</u>	<u>\$ 972,556</u>

Henry Ford Village, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

12. Concentration of Credit Risk

The Community grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicaid and Medicare.

The Community maintains cash accounts, which, at times, may exceed federally insured limits. The Community has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

13. Liquidity and Availability of Resources

The following table reflects the Community's financial assets available for general expenditure within one year at December 31, 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of: (a) assets whose use is limited by board designations, donor restrictions, regulatory bodies, and loan and other agreements; (b) assets held for others; and (c) permanent endowments and assets held in trusts for long-term investment.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 1,553,429	\$ 1,376,375
Accounts receivable, net	4,476,059	3,693,827
Board-restricted investments	<u>2,373,509</u>	<u>2,019,901</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 8,402,997</u></u>	<u><u>\$ 7,090,103</u></u>

14. New Accounting Pronouncements

During February 2016, the FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2021. The Companies are currently assessing the effect that ASU No. 2016-02 will have on their results of operations, financial position and cash flows.

Henry Ford Village, Inc

**Consolidated Balance Sheets
Period Ending December 31, 2020**

**Un Audited
December 31
2020**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,576,766
Accounts receivable, net	\$ 2,905,789
Assets whose use is limited	\$ 892,058
Intercompany receivable	\$ -
Inventories	\$ 172,050
Prepaid expenses and other	\$ 1,277,821
Total Current Assets	<u>\$ 8,824,484</u>

Assets Limited as to Use or Restricted \$ 2,704,140

\$ -

Escrow \$ 9

Board - Restricted Investments \$ 2,479,998

Operating property, at cost, net of accumulated depreciation \$ 77,940,864

Total Assets \$ 91,949,495

LIABILITIES AND MEMBERS' DEFICIT

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 6,459,339
Accounts payable, affiliates	\$ 2,979,099
Resident refunds payable	\$ 8,109,098
Intercompany Payable	\$ -
Funds held for residents	\$ 115,608
Bond payable, current portion	\$ 48,193,265
Notes payable, current portion	\$ 1,360,529
Charitable gift annuity, current portion	<u>\$ 3,852</u>

Total Current Liabilities \$ 67,220,790

Long-Term liabilities

Advance deposits	\$ 641,857
Refundable entrance fees and deposits	\$ 90,378,309
Deferred revenue from nonrefundable entrance fees	\$ 11,165,535
Bonds payable, net	\$ -
Notes payable, net	\$ 1,341,800
Deferred Medicare PPS	\$ 863,978
Charitable gift annuity, net of current portion	<u>\$ 16,006</u>

Total Liabilities \$ 171,628,275

Members' Equity

Unrestricted	\$ (79,682,950)
Temporarily Restricted	<u>\$ 4,170</u>

Total Liabilities and Members' Deficit \$ 91,949,495

Henry Ford Village, Inc

Consolidated Statements of Operations
Period Ending December 31, 2020

	Un Audited December 31 2020
Revenues:	
Net resident service revenues	\$ 35,346,540
Other revenues	\$ 564,530
Investment income	\$ 375,905
Bad Debt	\$ (1,251,663)
Net assets released from restrictions	\$ -
Total revenues without donor restrictions	\$ 35,035,311
OPERATING EXPENSES	
Salaries, wages and benefits	\$ 15,898,642
Dietary and related supplies	\$ 3,242,371
Supplies	\$ 977,349
Utilities	\$ 1,877,806
Building, grounds and maintenance	\$ 2,530,082
Marketing	\$ 952,181
Management fees	\$ 356,894
Professional and contracted services	\$ 3,739,056
Administrative-related	\$ 408,551
Real estate and other taxes	\$ 761,524
Insurance	\$ 571,533
Resident relations	\$ 103,646
Other	\$ 107,319
Depreciation	\$ 4,800,191
Interest	\$ 3,552,481
Bad debt expense	\$ -
Total operating expenses	\$ 39,879,628
NET INCOME (LOSS)	\$ (4,844,316)

Henry Ford Village, Inc

**Consolidated Statements of Cash Flows
Period Ending December 31, 2020**

**Un Audited
December 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in Net Assets	\$ (4,841,249)
Adjustments to reconcile net (loss) to net cash provided by operating activities	
Depreciation	\$ 4,800,224
Amortization of debt issuance costs	\$ 62,824
Amortization of bond discount	\$ 19,708
Provision for bad debt expense	\$ 1,251,663
Proceeds from nonrefundable entrance fees	\$ (2,136,501)
Entrance Fee contributions	
Revenue earned from reduced entrance fees and deposit refunds	\$ 1,566,714
Net realized and unrealized loss on investments	\$ 5,441
Amortization of residents' entrance fees	\$ (118,000)
Change in value of charitable gift annuity	\$ (14,137)
Change in assets and liabilities	
Accounts receivable	\$ 622,607
Inventories	\$ 4,846
Prepaid expenses and other	\$ (465,876)
Related party receivables and payables	\$ 213,963
Accounts payable and accrued expenses	\$ (207,450)
Entrance Fee Escrow	\$ (9)
Deferred Medicare Revenue	\$ 863,978
Long term notes payable	\$ 2,702,329
Net Cash Provided by Operating Activities	<u>\$ 4,331,075</u>

CASH FLOWS FROM INVESTING ACTIVITIES

(Increase) Decrease in Assets Limited as to Use or Restricted	\$ 2,885,404
Additions to operating property	<u>\$ (1,399,766)</u>
Net Cash Flows used in Investing Activities	<u>\$ 1,485,638</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase (Decrease) in advance deposits	\$ (240,924)
Proceeds from refundable entrance fees and deposits	\$ 4,464,001
Refunds of entrance fees and deposits	\$ (5,323,507)
Decrease in resident spend-down account	\$ 273,036
Increase (decrease) in resident refunds payable	\$ (490,969)
Principal payments on bonds payable	<u>\$ (2,475,013)</u>
Net cash (used in) financing activities	<u>\$ (3,793,376)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS \$ 2,023,337

Cash and Cash Equivalents - Beginning of Year \$ 1,553,429

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 3,576,766

Schedule 3.19
Real Property

LEGAL DESCRIPTION

Land situated in the City of Dearborn, County of Wayne, State of Michigan, more particularly described as follows:

Part of the Northwest fractional 1/4 of Section 18, Town 2 South, Range 11 East, City of Dearborn, Wayne County, Michigan, described as follows: Beginning at the point of intersection of the Southerly right-of-way line of Ford Road (variable width) and the Easterly right-of-way line of Greenfield Road (120.00 feet wide), distant South 89 degrees 53 minutes 57 seconds East (recorded as South 89 degrees 54 minutes 20 seconds East) 33.01 feet along the Northerly line of said Section 18 and South 01 degree 13 minutes 50 seconds East 163.04 feet from the Northwest corner of said Section 18; proceeding thence along the Southerly right-of-way line of Ford Road, North 87 degrees 04 minutes 00 seconds East 567.79 feet; thence North 72 degrees 26 minutes 40 seconds East 230.81 feet; thence North 82 degrees 58 minutes 10 seconds East 166.62 feet; thence South 89 degrees 45 minutes 50 seconds East (recorded as South 89 degrees 05 minutes 34 seconds East) 320.14 feet (recorded as 320.65 feet) to the Northwest corner of Lot 1 of JOHN FORD SUBDIVISION, as recorded in Liber 44 of Plats, page 73, Wayne County Records; thence along the Westerly line of said JOHN FORD SUBDIVISION AND JOHN FORD SUBDIVISION NO. 1, as recorded in Liber 45 of Plats, page 15, Wayne County Records, South 01 degree 33 minutes 58 seconds East (recorded as South 00 degrees 47 minutes 00 seconds East) 1253.93 feet (recorded as 1253.21 feet) to the Northeast corner of GARLING AND LAWRY MANOR SUBDIVISION, as recorded in Liber 70 of Plats, page 96, Wayne County Records; thence along the Northerly line of said GARLING AND LAWRY MANOR SUBDIVISION, South 89 degrees 22 minutes 20 seconds West (recorded as South 88 degrees 39 minutes 10 seconds West) 1282.26 feet to the Easterly right-of-way line of Greenfield Road; thence along the Easterly right-of-way line of Greenfield Road North 01 degree 13 minutes 50 seconds West (recorded as North 01 degree 57 minutes 00 seconds West) 1150.03 feet (recorded as 1150.96 feet) to the Point of Beginning.

ALSO DESCRIBED BY SURVEY AS FOLLOWS:

Part of the Northwest fractional 1/4 of Section 18, Town 2 South, Range 11 East, City of Dearborn, Wayne County, Michigan, described as follows: Beginning at the point of intersection of the Southerly right-of-way line of Ford Road (variable width) and the Easterly right-of-way line of Greenfield Road (120.00 feet wide), distant North 88 degrees 40 minutes 28 seconds East, 33.01 feet along the Northerly line of said Section 18 and South 02 degrees 39 minutes 42 seconds East 163.04 feet from the Northwest corner of said Section 18; proceeding thence along the Southerly right-of-way line of Ford Road, North 85 degrees 38 minutes 25 seconds East 567.79 feet; thence North 71 degrees 01 minutes 05 seconds East 230.81 feet; thence North 81 degrees 32 minutes 35 seconds East 166.62 feet; thence North 88 degrees 48 minutes 35 seconds East 320.14 feet to the Northwest corner of Lot 1 of JOHN FORD SUBDIVISION, as recorded in Liber 44 of Plats, page 73, Wayne County Records; thence along the Westerly line of said JOHN FORD SUBDIVISION and JOHN FORD SUBDIVISION NO. 1, as recorded in Liber 45 of Plats, page 15, Wayne County Records, South 02 degrees 59 minutes 33 seconds East, 1253.93 feet to the Northeast corner of GARLING AND LAWRY MANOR SUBDIVISION, as recorded in Liber 70 of Plats, page 96, Wayne County Records; thence along the Northerly line of said GARLING AND LAWRY

MANOR SUBDIVISION, South 87 degrees 56 minutes 45 seconds West, 1282.26 feet to the Easterly right-of-way line of Greenfield Road; thence along the Easterly right-of-way line of Greenfield Road North 02 degree 39 minutes 42 seconds West, 1150.03 feet to the Point of Beginning.

Commonly known as: Henry Ford Village, 15101 Ford Road, Dearborn, Michigan

Tax Parcel No. 82-10-181-01-001

Schedule 3.20
Insurance

See attached.

Schedule of In-Force Insurance

COVERAGE	COMPANY	AMOUNT/LIMIT	POLICY NUMBER	EXP. DATE
<u>COMMERCIAL PROPERTY</u>				
Blanket Building	Affiliated FM Insurance Company	\$188,970,300	ES575	6/30/2021
Blanket Personal Property	Landmark American Insurance	\$6,123,060	LHT913742	
Business Interruption/Extra Expense	Company	\$10,350,000		
Flood		\$250,000,000 (shared)		
Earthquake		\$250,000,000 (shared)		
<u>GENERAL LIABILITY - CLAIMS MADE</u>				
Program Aggregate	Ironshore Specialty Insurance	\$27,500,000	004052801	6/30/2021
General Aggregate	Company	\$3,000,000		
Products/Completed Operations		\$3,000,000		
Personal/Advertising Injury		\$1,000,000		
Each Incident		\$1,000,000		
Fire Damage		\$50,000		
Medical Expense		\$10,000		
Employee Benefit Liability		\$1,000,000		
<u>PROFESSIONAL LIABILITY - CLAIMS MADE</u>				
Aggregate	Ironshore Specialty Insurance	\$3,000,000	004052801	6/30/2021
Each Incident	Company	\$1,000,000		
<u>CRIME</u>				
Employee Dishonesty	Hiscox Insurance Company, Inc.	\$3,000,000	UC2445781420	6/30/2021
<u>AUTOMOBILE</u>				
Combined Single Limit	Zurich American Insurance Company	\$1,000,000	BAP 4857389	6/30/2021
Uninsured Motorist		\$1,000,000		
Underinsured Motorist		\$1,000,000		
<u>UMBRELLA - CLAIMS MADE</u>				
Aggregate	Ironshore Specialty Insurance	\$10,000,000	004053001	6/30/2021
Each Incident	Company	\$10,000,000		
Program Aggregate		\$50,000,000		
<u>WORKERS' COMPENSATION</u>				
Each Accident	Zurich American Insurance Company	\$500,000	WC 4857388	6/30/2021
Disease - Policy Limit		\$500,000		
Disease - Each Employee		\$500,000		
<u>D&O/EPL/FIDUCIARY</u>				
Directors & Officers Liability	Federal Insurance Company	\$5,000,000 (shared with EPL)	8173-7226	6/30/2021
Employment Practices Liability		\$5,000,000 (shared with D&O)		
Fiduciary Liability		\$2,000,000		
Kidnap & Ransom		\$1,000,000		
<u>CYBER</u>				
Aggregate Policy Limit	National Union Fire Insurance	\$3,000,000	14815750	6/30/2021
<u>Insuring Agreements</u>	Company of Pittsburgh, PA			
Security & Privacy Liability		\$3,000,000		
Regulatory Defense, Fines, & Penalties		\$3,000,000		
Cyber Extortion Loss		\$3,000,000		
Business Interruption (1st Party & 3rd Party)		\$3,000,000		
PCI-DSS Assessment Coverage		\$1,000,000		
<u>Retention</u>				
Each Claim Retention		\$15,000		
eCrime Coverage		\$100,000		
Reputation Based Income Loss		\$500,000		

Schedule 3.21
Intellectual Property

Domain Names:

henryfordvillage.com

Schedule 3.22
Tax Matters

See attached.

Pre-petition amount stayed by the chapter 11 filing
Authorized under CARES Act

Michigan Nursing Facility Quality Assurance Assessment
Election to deferral of certain payroll taxes

\$ 15,203.08
528,525.91

1) MI Department of Health & Human Services
2) US Treasury

Schedule 5.7
Employee Matters

(a) Buyer to provide applicable list to Seller on or before June 30, 2021, with such list to be updated fifteen (15) days prior to the Closing Date (as such date is determined under the Agreement).

(d) Schedule of Employees to be provided not more than fifteen (15) days after the Execution Date.

Schedule 5.9(b)
Assumed and Rejected Contracts

All Entrance Fee Residency Agreements and Rental Residency Agreements will be addressed pursuant to Section 5.13 of the Agreement.

See attached list of contracts.

Vendor	Contract or Agreement Name or No.	Accepted/Rejected
A Place for Mom ("APFM")	Referral/Commission Agreement for Information Services - APFM generates leads	Accepted
ABM Healthcare Support Services Inc	ABM Health Services Agreement - Provider of environmental services, including cleaning of all	Rejected
Absopure Water Co	Equipment contract	Rejected
AccessRN Inc	Temporary staffing agreement	Rejected
ADT Commerical LLC - FEIN 90-0008456	Fire safety equipment contract	Rejected
Aetna Inc.	Insurance provider agreement	Accepted
Allied Universal Security Services	Services Agreement - Provide security services, including, but not limited to, secur	Rejected
American Deposit Management LLC	Entrance fee escrow account.	Rejected
AssitedLiving Locators	IL/AL Referral Network - Assists seniors and families in finding appropriate care se	Accepted
AT & T	Telephone equipment room lease.	Accepted
Avtech Capital, LLC	Master lease agreement Number TFG/HN 2319	Accepted
Bank of America/Merrill Lynch	Letter of Credit in favor of State of MI, Unemployment Insurance Agency	Accepted
Battle-Gaines, Toni	Independent Contractor Agreement	Accepted
Beaumont Medical Center	Gross time share lease agreement	Accepted
Blue Care Network of Michigan	Employee insurance plans	Rejected
Brown, Aaron (Netserv)	Services Agreement - Provide IT support.	Rejected
CareMerge	Services Agreement - Provides EHR, Family Engagement, Community Engagement	Rejected
CarePatrol of Oakland County	Senior Placement Services Agreement - Operates a direct placement service that i	Accepted
ChemTreat Inc	Services Agreement - Provides specialty water treatment chemicals and equipme	Rejected
ChoiceCare Network	Insurance provider agreement	Accepted
Cintas Corporation #97627	Contract No. 210005154 - Standard rental service agreement executed 1/27/2021	Rejected
City of Dearborn	Payment in lieu of taxes agreement	Accepted
Clara's Parlor Inc	Lease agreement - Use of premises for a beauty salon.	Accepted
Comcast Business	Services Agreement - Provide internet and related services.	Accepted
Comerica Bank	Lease agreement - Use of premises for a bank branch institution.	Accepted
Control Solutions	Contract for 1253C20. Fan coil construction agreement.	Accepted
Corporate Fleet Services Inc	Lease Agreement - Lease of 2018 StarCraft Allstar 15-Passenger Bus, 2017 Champ	Accepted
Dearborn Country Club	Membership agreement	Accepted
Delta Dental of Michigan	Employee benefits	Rejected
Direct Energy	Services Agreement - Transports gas.	Rejected
Direct Supply Inc	Purchase agreement	Rejected
Downriver Medical Associates	Medical Director Agreement - Agreement with Downriver Medical Associates to p	Accepted
Dr. Stelian Marinescu	Sublease agreement	Accepted
Driven Solutions Inc	Marketing agreement	Rejected
DTE Energy	Gas and electric supply agreement	Rejected
Ecolab	Equipment contract	Rejected
Engrain Inc	Services Agreement - Provide interactive real estate software.	Rejected
eSolutions Inc	IT Consulting	Rejected
Fire Alarm Service Team LLC	Annual Fire Alarm & Life Safety Systems Inspections	Rejected
First Choice Coffee Services	Service Agreement - Provides equipment and materials for water dispensers.	Rejected
Ford Credit	Lease Agreement - Lease of Ford Flex and Ford Escape.	Accepted
Ford Estates, Inc.	License agreement for use of Henry Ford name	Accepted
G4S Secure Solutions (USA) Inc	Security Services Agreement executed November 23, 2020	Accepted
Guardian Alarm	Service agreement	Accepted
HAP Midwest Health Plan, Inc.	Insurance provider agreement	Accepted
Healthcare Cosmetology	Lease agreement - Use of premises for a beauty salon.	Accepted
IPFS Corporation	Financing Agreement - Insurance financing.	Rejected
Johnson Controls	Services Agreement - Provides preventive maintenance services.	Rejected
Lease Corporation of America	Lease Agreement - Lease of rehab equipment.	Rejected
Life Care Companies LLC	Management Agreement - LCS is engaged as agent of Owner to manage, operatio	Rejected
Long Dental DDS	Lease Agreement - Lease of space and equipment.	Accepted
Medical Staffing Network	Temporary staffing agreement	Rejected
Michigan Center for Dermatology	Lease agreement	Accepted
Michigan Department of Health & Human Services Travis M. Comstock Assistant /	Medicaid Provider Agreement	Accepted
Michigan Office Solutions	Lease Agreement - Provide printer and scanner equipment.	Rejected
Moving Station	Services Agreement - Provide relocation services for current or potential resident	Rejected
Netsmart Technologies Inc	Information systems agreement.	Accepted
Oakwood Healthcare, Inc.	Lease Agreement - Use of property for medical office.	Accepted
Office Team	Temporary staffing agreement	Rejected
One Care Pharmacy LLC	Pharmacy Provider Agreement - Provides pharmaceutical products and related pr	Rejected
OneDay	Marketing agreement	Rejected
Otis Elevator Co	Services Agreement - Provide preventive maintenance on elevators.	Accepted
Pitney Bowes Global Financial Services LLC	Postage service agreement	Rejected
Polaris Group, The	Consulting services agreement	Rejected
PRN on Demand LLC	Staffing Agreement - Provides temporary staffing.	Rejected
Purchase Power	Postage service agreement	Rejected
Quadient Finance USA, Inc	Postage equipment agreement	Rejected
RehabCare Group Therapy Services	Services Agreement - Provide therapy services and EMR software.	Rejected
Relias LLC	Subscription services for learning, performance metrics and assessments.	Accepted
Senior Care Network LLC	Services Agreement - Responsible for evaluating the psychosocial and functional r	Accepted
Senior Sign LLC	Services Agreement - Provides an online platform for completing, transmitting, re	Rejected
Services To Enhance Potential	Services Agreement - Provide trash collection and transport to dock pickup.	Rejected
SESAC, LLC	Music licensing agreement	Accepted
Shred-it USA LLC	Services Agreement - Provide containers for collection of and destruction of pape	Rejected

Stericycle, Inc	Services Agreement - Regulate medical waste disposal.	Rejected
SwiftReach Networks Inc	Cell phone services	Rejected
Team TSI Corporation	Consulting services agreement	Rejected
TFG-Michigan L.P.	Lease Finance Agreement - Furniture for health center.	Accepted
U.S. Department of Health and Human Services Centers for Medicare and Medicaid	Medicare Provider Agreement	Accepted
United Lawnscape Inc	Services Agreement - Landscape maintenance, enhancement irrigation, or other g	Rejected
Verizon Wireless - Cell Phones	Cell phone services	Rejected
VFS, LLC	Lease Finance Agreement - Lighting equipment and installation	
Waste Management	Services Agreement - Provide recycling and trash containers to Henry Ford Village	Rejected
Wow! Internet & Cable (Wideopenwest)	Two Services Agreement - Provides internet and telephone service to the commu	Rejected
Xerox Corporation	Lease Agreement - Provide printer and scanner equipment.	Rejected
ZirMed	Revenue cycle services	Accepted

Schedule 5.10
Buyer's Regulatory Approvals

1. Written assurance from the Michigan Department of Licensing and Regulatory Affairs ("LARA") that a home for the aged ("HFA") license will be issued in Buyer's name for operation of the Facility's HFA as of the Effective Time, following (a) approval of any policies and procedures as required by LARA; (b) completion of an on-site fire safety inspection by LARA's Bureau of Fire Services; and (b) completion of an on-site Home for the Aged survey conducted by LARA.
2. Receipt of a Final Decision issued by the Michigan Department of Health and Human Services ("MDHHS") approving a Certificate of Need ("CON") for Buyer's acquisition of the Facility's skilled nursing home.
3. Written assurance from the Department of Licensing and Regulatory Affairs that a Nursing Home License for operation of the Facility's skilled nursing home will be issued in Buyer's name as of the Effective Time.
4. Pre-closing notices of the nursing home CHOW to LARA, acting in its capacity as Medicare State Agent of the Centers for Medicare & Medicaid Services and to MDHHS's Medicaid Long Term Care Reimbursement & Rate Setting Section.
5. Receipt of a food service establishment license issued by the Michigan Department of Agriculture and Rural Development for provision of food to visitors, staff, and residents of the Facility's non-licensed living units.
6. Notice of the CHOW to LARA's Laboratory Improvement Section CLIA Program.
7. Registration with the Michigan Department of Environment, Great Lakes, and Energy as a medical waste producing facility.
8. Any other Approvals from Governmental Authorities including the federal government, the State of Michigan and the City of Dearborn, Michigan without which the Buyer would be prohibited from operating the Facility as of the Closing Date, which are identified in writing by Buyer to Seller on or before June 30, 2021; provided, that any such Approval described in this paragraph would not give rise to the ability to terminate the Agreement under Section 2.7 of the Agreement unless the Parties are unable to address the delay or lack of such Approval through other means.

Schedule 6.3
Seller's Regulatory Approvals

1. Written approval of the Michigan Attorney General, Charitable Trust Division for sale of substantially all of the assets of Seller.
2. Bond payoff approval with respect to tax-exempt bonds, to be effective as of the Effective Time.
3. Written order from LARA with respect to termination of the its Order dated June 10, 2020 requiring escrow of funds ("Escrow Order") and the distribution of any funds escrowed pursuant to the Escrow Order in accordance with the terms of the applicable escrow agreement and each affected resident's continuing care agreement.
4. Written confirmation from LARA of the termination of Seller's registration as a continuing care community as of the Effective Time.
5. Written confirmation from CMS or the applicable Medicare Administrative Contractor of the repayment of any outstanding Medicare Advance Payments.